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# CO-OPERATION IN THE COLONIES

A Report  
from a Special Committee  
to the  
Fabian Colonial  
Bureau

*With a Preface by*  
C F STRICKLAND



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## Foreword

"THE Colonies," said Lord Passfield to me, "shall have more Co-operation" There was only time, however, for him to issue a memorandum to colonial governments on the subject during his tenure of office as Colonial Secretary, and little if any, action resulted

I do not associate myself with all the hard things that have been said about the Colonial Office and colonial administrators Civil servants are busy people, with little knowledge of technical matters Many of them were under a delusion that Co-operation in the Colonies is concerned only with agriculture, some, not realising the technical nature of Co-operation, tried to found co-operative societies, which sooner or later came to grief They had attempted a task for which only a trained co-operator is qualified

The Fabian Colonial Bureau is, therefore, doing valuable service in reviewing the position of the movement in those Colonies in which it exists, and laying down clearly the lines of advance in all territories The Final Act of the Hot Springs Conference, quoted in the body of this report, urges all countries to examine their legal arrangements for the encouragement of Co-operation, and to promote societies for consumers and producers This report endeavours to facilitate the work recommended by the conference Material has necessarily been drawn from various sources, and there arises a certain diversity of opinion inside the document, which will not puzzle or mislead a reader who is forewarned In fact, a difference of approach stimulates thought, and indicates the wide range of experience which is contained in the conclusions Terms may even be used in different senses Thus, in a quotation from Sir Frank Stockdale, the word "fragmentation" is synonymous with a subdivision of holdings, in another quotation from Mr Calvert it is employed, as elsewhere in this report, to mean scattering of fields (the common meaning), and Mr Maher of Kenya brings out the essential difference of the two evils, so often associated in peasant agriculture

The main ideas of the report, with all of which I heartily agree, are three There should be, in the first place, a suitable co-operative law, simpler than the Friendly Societies or the Industrial and



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Provident Societies Acts, and conferring on the Registrar an adequate power of control and education of the colonial people, to whom the co-operative society is a strange and possibly a dangerous instrument. It should provide for all types of Co-operation. Whether there should be in the Colonial Office an archetype of co-operative laws, as herein suggested, is an interesting point. It would prevent the restriction of Co-operation to one form, and would preclude such freak legislation as the requirement of a minimum of fifty members in certain Pacific Islands. Secondly, there must be a Registrar of Co-operative Societies, fully trained for his duty, and independent of other departments. He has to deal with all departments and serve their purposes. The pages of this report, which describe the functions and qualifications of registrars, are convincing, if colonial governments had acted as there advised, the failure in Co-operation would have been less frequent and less disastrous.

Lastly, "Co-operation is adult education in the business of life", so says this report, and there was never a truer word. Co-operation for Better Living is not less important in the colonial sphere than Co-operation for economic advantage, and it may be organised in Better Living Societies. The movement will take various directions according to the varying needs of the territories, and should extend to the urban as well as the rural population, and to the consumer no less than to the producer. Housing and sanitation, education and handicrafts, credit, thrift and consumers' stores, will be within the scope of the movement, in addition to agricultural supply and marketing. If this view of co-operative opportunity is impressed on colonial governments, political development is likely to be smoother and healthier than where economic gain is held out as the sole prize to be pursued by peoples who are only now learning to take their place in the British Commonwealth or in the community of nations.

NOTE—The proposals here made for the Colonies are, in my opinion, applicable also to territories, such as the Anglo-Egyptian Sudan, which are under the Foreign Office.

C F STRICKLAND

OXFORD

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FOURTH WORD

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## Introduction

THE Colonial Development and Welfare Act of 1940 laid down a principle of first importance—that, under present circumstances, Colonies cannot build up a reasonable standard of well-being if they rely on their own resources alone. It is therefore the duty of the Metropolitan power to give constructive and concrete help to Colonies to secure for them an adequate minimum of social welfare. Britain has now officially shouldered the task of furthering the development and welfare of the colonial peoples. But such a policy should not take the form of benevolence. A direct attack upon the glaring deficiencies of colonial life must be made, but at the same time the colonial peoples must be enabled and encouraged to tackle their problems by their own efforts and in their own way.

Among the most important forms of organisation through which the colonial peoples can learn self-responsibility and leadership, and fit themselves to achieve political and economic progress, are trade-union and co-operative movements. Remarkable emphasis has been given to this by the Secretary of State in the House of Commons.<sup>1</sup> Stressing the need for educational advance, Colonel Stanley said

“I want to include under that heading many subjects which would have made the educational formalist of the nineteenth century wince. I do not mean by education just the literary education which was his dream, nor the classrooms, the books and the teachers which were his tools. I do not even mean the twentieth-century equivalent of ‘the three R’s’. The education I have in mind goes far beyond the teacher’s voice. It cannot only be found in books. It cannot be learnt by heart. It does not end with schooldays. Sometimes it does not even begin until schooldays are over. The sort of education that we want as a basis for political development is education by life for life. It must, of course, include the more formal kind of literary education.

I want, too, to deal with subjects which I consider just as important—education through local government, education through community effort, such as trade unions and co-operatives, and education in the actual practice in administration.”

Positive action has already been taken for the encouragement of trade unionism in the Colonies. The appointment of a Labour Adviser to the Secretary of State and of a Labour Advisory Committee to the Colonial Office, special officials of the Colonial Office

<sup>1</sup> Debate on the Colonial Estimates, Hansard, 13th July 1943, Column 52

concentrating on these subjects and the creation of Labour Departments with trained staffs in most of the Colonies, have all helped to make trade unionism a reality in the lives of many of the colonial peoples within the last decade<sup>1</sup>. But there are vast numbers of small producers and peasants working on their own account—forming, indeed, the majority of the colonial peoples—who are outside the scope of trade-union activity. Agriculture is likely to remain the main source of occupation in the Colonies, and how is the future well-being of this major part of the people to be achieved?

This report puts forward the view that these many millions of small cultivators can achieve their own progress, given opportunity, encouragement and initial help, through a planned development of co-operative association and enterprise as a fundamental part of colonial economic and social policy. Co-operation has been highly developed in most prosperous agricultural countries, but is still all but non-existent in the majority of the Colonies. The colonial agriculturist is, for the most part, poor, illiterate and unaccustomed to the Western ideas of science and commerce which are penetrating to his home. Government help is required to assist him in the difficult transition from the old to the new economy. The Co-operative Movement can be a vital instrument in this transition period, not only for improving standards of living and education but for effecting the advance through the people's own efforts.

In the few Colonies—Ceylon, Malaya, Nigeria, Palestine, Cyprus and Mauritius—where Co-operative Departments have been established, progress has already been made in improving the conditions of life and outlook amongst those sections of the community that the limited personnel of these Departments have been able to reach. This progress has been achieved with little, if any, financial assistance from government other than the cost of providing a handful of trained teachers and advisers. In Malaya, Ceylon and Mauritius the greater part of the co-operative effort has had to be devoted to the primary task of overcoming, through co-operative credit and thrift societies, the scourge of indebtedness to the money-lender. The work has only begun, but wherever relief from this burden of debt has been gained (or where, as in parts of Africa, its incidence is not heavy) the way is open for a planned development of co-operative marketing and processing, consumers' societies, co-operative farming, stock-breeding, fisheries, co-operative use of grazing land, land reclamation and drainage, co-operative settlements, house-building societies, co-operative dairying, and so on.

<sup>1</sup> See "Labour Supervision in the Colonial Empire," 1937-43. Colonial No. 185

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through the whole range of colonial economics. Through co-operative associations the technological advances in agricultural method, which open up new horizons of prosperity to the farmer, could be brought to the knowledge, and within the reach, of the colonial peasant. But equally with material advance co-operation must aim at creating an educated and progressive citizenry. Sir Horace Plunkett defined co-operation as "Better Farming, Better Business, Better Living." He did not intend Better Living to be merely an accidental consequence, but rather a direct object of all co-operative effort.

It is a fundamental principle of all co-operative activity that material progress is of little avail without a corresponding educational advance in self-reliance, responsibility and citizenship. But once the stage of government assistance in guidance and education has been passed, the co-operative movement in any Colony should proceed on its own momentum as a dynamic people's movement. It will then produce its own leaders and educationists from the ranks of its own members, and gain confidence, experience and ability with each step forward. This stage has already been reached in Ceylon, where the co-operative movement is progressing rapidly, and is well on the way towards independence.

Once a Colony has developed its co-operative economy in a reasonably wide field, a long step forward has been taken in its capacity for democratic self-government. But although this fact may be given recognition in official speeches, the actual extent to which it has been understood and encouraged is still incredibly small. For the majority of colonial peoples co-operation does not yet exist. Even where separate Co-operative Departments have been set up, the personnel is too small to reach more than a small section of the population. Some Colonies have no co-operative law, or have legislation designed for the needs of privileged groups, and not suited for Native societies. The history of many embryonic co-operative experiments is one of opportunities lost and chances marred by the lack of understanding of co-operative principles. Identical mistakes have been repeated in different Colonies, and co-operation has had to combat the opposition of private trading interests unable to see that a prosperous Native community offers more economic opportunity than a poverty-stricken one.

In contrast to this dark background there are a few bright spots. There have been agricultural officials in many Colonies who have given constant support and encouragement to the development of colonial co-operation. Having an intimate knowledge of the

## *Co-operation in the Colonies*

problems underlying agricultural progress they have realised that the broad masses of people can best be reached by the scientific departments of government, through co-operative associations. There have been a number of distinguished colonial administrators and authorities, notably Mr C F Strickland, who have pressed this view. There have been Commissions of Inquiry set up by the Colonial Office (the latest of which was the West African Cocoa Commission of 1938), which have recommended repeatedly that co-operative association should be given wholehearted encouragement. With few exceptions, however, little positive action has so far been taken to carry out their recommendations. It is particularly encouraging, therefore, to note that the important rôle which co-operative movements can and should play in post-war reconstruction was strongly emphasised at the United Nations Conference on Food and Agriculture at Hot Springs, Virginia, in 1943.<sup>1</sup>

In the work of post-war reconstruction and planning co-operative associations of producers will have a vital part to play. The increasing international control of production and marketing of primary products, the emergence of commodity and price control boards, will bring no benefit to the small producer unless he is organised and capable of efficient participation. For this the co-operative association of colonial producers is imperative if the interests of the countless small cultivators are to be defended. The fundamental interdependence of the producer and the consumer must, however, be recognised. It has rightly been pointed out that "all men on earth are consumers of food,"<sup>2</sup> and in the general objective of raising consumption levels and nutritional standards the need for adequate representation of consumers cannot be overstressed. The development of co-operative consumers' societies, almost non-existent—and certainly very difficult—at present in the Colonies, would be of the utmost value in this connection and also in the general education of the consumer in wise spending.

If co-operation on an adequate scale is to develop in the Colonies, more active encouragement along a broad line of policy must come from London and the Colonial Governments. This book outlines the principles on which such a policy should be based, and the steps which would be necessary to carry it into effect.

<sup>1</sup> Cmd 6451, pp 27-28, see also Section Reports of the Conference, 1943, Cmd 6461, pp 23, 24.  
<sup>2</sup> Final Act of the United Nations Conferences on Food and Agriculture, 1943, Cmd 6451, p 2.

increasing money economy, the cultivator's opportunity for expenditure increased and he got hopelessly into debt "1

This is a dismal catalogue of ills and different commentators emphasise different items. Some stress the evils of ignorance, or lay the blame on ill-health, others concentrate on the uneconomic return of the holding. A discussion of all the items would take us too far afield. We must be satisfied to deal briefly with a few of the major economic causes of the peasant's poverty.

A potent cause of poverty is the concentration of the cash economy of the Colonies on one or two staple crops for export. This leads to dependence on a world market liable to violent fluctuations against which the Colonies have no defences. In the Gold Coast cocoa accounted for 60 per cent of exports in 1937, in the Gambia 90 per cent of the exports were groundnuts. In Barbados and the Leeward Islands sugar formed 90 per cent and 80 per cent of exports, respectively, in Jamaica sugar products and bananas together constituted 85 per cent of the export trade in 1938. Such specialisation involves a substantial sacrifice in the growing of other crops, either for export or subsistence. The results have been disastrous. Any general depression in the level of world prices immediately affects the main source of the Colonies' income, while the backwardness of farming to meet local food requirements has had adverse effects upon the nutrition and health of the inhabitants. There is need for a larger internal trade in almost all Colonies.

Concentration on these staple crops has been accompanied by the emergence of a few powerful and strongly established European and American firms which purchase the bulk of the cocoa, palm products, groundnuts, bananas, sugar and cotton. They usually work through a complicated "advance" system or through middlemen. In West Africa thousands of pounds sterling are advanced annually by the large European cocoa-buying firms to their African buyers, in order that they may pay cash to lesser buyers and so on. A long chain of middlemen often stretches from where the crop is collected, on isolated bush farms far in the interior, to the port of shipment—and each gets his commission. When the Cocoa Commission inquired into the situation in the Gold Coast, thirteen European firms alone were handling 98 per cent of the total crop, 40 per cent passing through the hands of the United Africa Company. In the West Indies a high proportion of the banana export trade was, at the outbreak of war, in the hands of the United Fruit Company, a

<sup>1</sup> No. 2 Bulletin on the Reserve Banks' Agricultural Credit Department, quoted p. 143, *Imperial Conference on Agricultural Co-operation*, 1938.



vast American concern, and which with its associated companies, including Elder & Fyffes, represented a virtual monopoly in which the English and American markets had been apportioned between the various companies, amongst whom there was no competition. Producers were paid on a sliding scale based on market prices and drawn up by the United Fruit Company on terms not unfavourable to itself.

The colonial peoples have been unable to develop any defensive organisation against such modern business methods, or against the fluctuation of markets. They lack any sort of economic independence, and one of the main reasons for this is indebtedness.

This problem has reached such overwhelming proportions, especially in the Asiatic Colonies, that the peasant has become, in effect, a debt-slave to the moneylender. The independent producer has been reduced to the position of a worker for the minimum necessary to keep body and soul together. The peasant rarely rises above this bare subsistence-level. He knows that if his efforts were to raise him above this, the difference would be wholly absorbed by the moneylender. His outlook is well summarised in the old Punjab saying "In good times the moneylender eats us, in bad times we eat him." In the East—but not only there—by far the greater part of the peasants' borrowings, whether for purposes connected with the production of crops or for extravagant ceremonial occasions, such as weddings and funerals (to which they are closely bound by social custom), is provided by the moneylender.

The problem of land and land tenure is also far-reaching. The ease with which, in certain Colonies, the small producer's holding can be mortgaged with little hope of recovery is an important contributory factor in rural indebtedness. There have been reprehensible developments in the way of large-scale acquisition of land by outside interests or immigrants, and the breaking down of economic holdings into uneconomic smaller units.

On this subject Sir Frank Stockdale, in his 1943 Report on the West Indies,<sup>1</sup> writes

"In regard to land tenure it has been largely held that only the freehold is acceptable by the people. It has been found, however, that when the objectives for agricultural development are explained, and illustrations given of the disastrous results to the community of the freehold system (especially the fragmentation of holdings, the indebtedness of the land, and the accumulation of land by mercantile

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<sup>1</sup> Vide Report by Sir Frank Stockdale on *Development and Welfare in the West Indies*, 1940-42 Colonial No. 184, 1943

interests at the expense of the agricultural community), the representatives of the people have been prepared to consider alternative systems of tenure, in fact, the Governments of the Leeward, St Lucia, Barbados and Trinidad have already adopted a system of long-term leases for land settlements”<sup>1</sup>

In a detailed summary of the economic causes of poverty in the Punjab, where conditions are in many ways similar to colonial conditions, a distinguished administrator points out that

“more than anything else the lack of skilled direction is responsible for the poverty of the country. The mass of the people have not known how to increase their outturn. The Punjab is poor because it is not organised on the lines that lead to wealth. Of positive causes, the greatest is undoubtedly waste. The waste of human material due to the high death rate, which removes from productive employment many who are of the best ages, or who have gathered skill or experience. There is waste due to preventable illness, and the inefficiency that comes from frequent suffering. There is waste in the defective agricultural system that results in men doing little or no work for a considerable portion of the year. In the number of unnecessary middlemen engaged in distribution. In unnecessary litigation. In the relation between landlord and tenant. In the miserable system of rural credit, whereby a large number of usurers entangle the unwary peasant into a net from which there is only one escape. From the depredations of insects and other animals. In the use of infertile seed. Of manure. From the weak sense of discipline, the real economic importance of which is not realised. The real waste of fragmentation is seldom understood. In failure to put land to that use which yields the highest profit. In the heavy mortality among cattle. In the vast areas left to Nature to wreak her capricious will on. If the wasted intelligence, skill, human labour, capital and resources could be utilised to the full in the production of wealth, there would be no longer occasion to deplore the poverty of the province”<sup>2</sup>

Over and above these man-made factors depressing colonial living standards, there is a harsh and hostile nature to be conquered. Most of the Colonies are in the tropics, where man has not yet succeeded in controlling his environment. The fight against human, animal and plant diseases, against the encroachment of the desert, against the climate, the struggle to secure water supplies and to prevent the depredations of pests, all these battles have still to be won before a healthy and prosperous life can be forged in tropical conditions. No form of political or economic organisation provides, in itself, the answer to these problems.

Why has this degrading colonial poverty been allowed to continue?

<sup>1</sup> Colonial No. 184, *op cit*, pp. 32-33

<sup>2</sup> *The Wealth and Welfare of the Punjab*, by H. Calvert, 1936, pp. 357-389

Failure to effect any adequate improvement has undoubtedly had its roots in the *laissez-faire* attitude of British governments. Colonial policy was less directed to promotion of colonial welfare and prosperity than to the maintenance of law and order so that trading companies might pursue, without interruption, their business of securing a steady flow of raw materials to the wealthier industrial countries.

"British colonial administrators, reflecting and indeed prolonging the attitude of their kin in Britain, lavished their attention upon political development, while the more powerful economic forces were allowed their free and devastating attack upon native society"<sup>1</sup>

This attitude marked not only the early stages of "opening up" and expansion, but persisted until 1940, when colonial economic policy was re-defined in the Colonial Development and Welfare Act. Apart from large-scale enterprises in the "opening up" period—such as roads, railways and harbours—there has been no programme of planned development. Even those large-scale enterprises were developed in a most haphazard fashion, and financed mainly by loans on the London money market. The financial policy of the Colonial Office, up till 1940, in effect made planned development impossible since this laid down that each Colony should be self-supporting and that its budget should be balanced annually. The more backward a colonial territory, the greater its need of economic development, but the lower the taxation which could be raised to finance it and other calls upon revenue with higher priorities. The first step away from this was made in 1929, when the Colonial Development Fund was inaugurated. But this fund only made free grants to Colonies which would "provide commerce with or industry in the United Kingdom." It was not until 1940 that a new attitude was defined.

Schemes for economic development remained, therefore, dependent upon such revenue as could be raised within the territory. This revenue already had to cover public debt charges, such as interest and sinking-fund charges on costs of railway and harbour construction,<sup>2</sup> salaries of Government officials, social services and defence.

<sup>1</sup> Miss M. Perham in an article in *The Times*, 14th March 1942.

<sup>2</sup> An example of the heavy public debt which a Colony has to bear is given in the case of the Gold Coast. In 1937-38 interest and sinking fund charges due on the public debt of the Colony amounted to £659,720, whereas in the same year expenditure on economic development was only £577,567, and on social services £614,326. This debt has been incurred mainly in the building of the railway, which cost upward of £10,000,000, and in the construction of a deep-water harbour at Takoradi at a cost of over £3,000,000—*vide* Dr Rita Hinden, *Plan for Africa*, 1941, pp. 145-155, and *Economic Survey of the Colonial Empire*, 1937, p. 117.

expenditure It is not surprising that there has been little or no surplus to finance a programme of economic development

The more obvious and direct causes of colonial poverty which we have sketched here—imperial *laissez-faire*, debt slavery, exploitation by powerful economic interests, undue specialisation on a few crops, lack of organisation—were aggravated by the indirect but equally important effects of the changing currents of world economy on inelastic colonial agricultural systems The primary producers have been the sufferers in the world markets of the twentieth century, the Colonies have suffered particularly severely in having no alternative to which to turn Their lack of home market agricultural organisation, the absence of industries, the failure of their people to enter into trade, have rendered their economies painfully brittle and vulnerable

## 2 THE NEED FOR CO-OPERATION

No policy can succeed, or be ultimately acceptable to the colonial peoples, if based on their treatment as poor relations There is no future for a world organised by the wealthier industrial countries on the basis of relief or charity for their poorer agricultural neighbours The colonial peoples will themselves wish to play an increasing rôle in the conduct of their own affairs and in the banishment of poverty from their lives To this end the development of the co-operative movement is of fundamental importance

This was stressed at the United Nations Conference at Hot Springs in 1943 The Conference was concerned with the improvement of agricultural methods and output and the raising of food standards in all countries The value of a co-operative approach in achieving these ends was recognised in a number of resolutions, and one resolution was devoted specifically to the encouragement of the co-operative movement

### *"Resolution XVII—Cooperative Movements*

#### *Whereas*

1 The cooperative movement has been of very great importance in many countries, both to urban and rural populations, especially in agricultural districts, where farming is based on small units and in urban areas of low-income families,

2 The proper functioning of cooperative societies may facilitate adjustments of agricultural production and distribution, as members have confidence in the recommendations and guidance of their own co-operative organizations, which they know operate in the interests of their members and of society in general,

3 The democratic control and educational programs, which are

features of the cooperative movement, can play a vital part in the training of good democratic citizens, and assist in inducing a sound conception of economic matters,

*The United Nations Conference on Food and Agriculture Recommends*

- 1 That, in order to make it possible for people to help themselves in lowering costs of production and costs of distribution and marketing
- (a) All countries study the possibilities of the further establishment of producer and consumer cooperative societies in order to render necessary production, marketing, purchasing, finance and other services,
- (b) Each nation examine its laws, regulations and institutions to determine if legal or institutional obstacles to cooperative development exist, in order to make desirable adjustments,
- (c) Full information as to the present development of cooperatives in different countries be made available through the permanent organization recommended in Resolution II<sup>1</sup>

Another resolution of the Hot Springs Conference was devoted to the question of agricultural credit. In view of what has been said above concerning the indebtedness of the peasant, this resolution is of particular importance

*"Resolution XVI—Agricultural Credit*

*Whereas*

- 1 Capital development and adequate credit facilities are necessary if agricultural production is to be restored, increased and intensified,
- 2 Agricultural credit in some countries has frequently been obtainable only at rates which the farmer could not afford to pay,
- 3 The agricultural communities in many countries have been unable to obtain information on the organization and development of agricultural credit systems in other countries,
- 4 In some countries full agricultural development has been or may be obstructed by difficulties in providing adequate capital,

*The United Nations Conference on Food and Agriculture Recommends*

- 1 That every endeavour be made to ensure an adequate supply of credit to agriculture,
- 2 That to this end full use be made of all types of suitable private, cooperative and public credit institutions,
- 3 That the rate of interest be as low as possible and the conditions regarding initial cost, redemption, etc., be as favourable as possible for the borrowers, particularly with a view to helping the small farmer,
- 4 That, in view of the importance of agricultural credit, its requirements be duly recognized by international action taken as a result of this Conference<sup>2</sup>

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<sup>1</sup> *Final Act of the United Nations Conference on Food and Agriculture, 1943, Cmd 6451, pp 27-28*  
<sup>2</sup> *Ibid*

This Recommendation makes clear that co-operative credit is not the only form of credit which needs to be developed, but there are certain aspects of the colonial debt problem which can best be solved in this way<sup>1</sup> It remains the case, however, that so far co-operative credit societies have only touched the fringe of the problem, largely due to the microscopic scale on which they have been developed even by the most progressive colonial governments It is doubtful if co-operative credit societies in any Colony supply more than 5 per cent of the requirements for productive purposes

The task of freeing the peasant from debt implies also the equally formidable one of preventing its recurrence So inveterate has the habit of borrowing become that in Malaya, for example, where the Government paid off his debts to give him a clean start, the Malay promptly borrowed again from the Chinese for unproductive purposes Any practical steps to achieve freedom from debt slavery in the Colonies must be accompanied by education of the individual in thrift, the realisation of his responsibility in controlling his own affairs, the progressive abolition of evil customs, and the adjustment of his ideas to a changing economy

How these two essential ends—to free the peasant from debt slavery, and to make him realise his responsibility for controlling his affairs—are to be achieved by the development of co-operative credit, and how far this work needs to be implemented and extended by State action, is the subject of Chapter X of this book But it should be understood from the outset that in most instances *there is only one practical alternative to co-operative credit for the small producer—and that is usury* This is particularly the case in the sphere of short-term credit for productive purposes, which is a year-by-year necessity for thousands of small producers in almost every Colony

Co-operation has no less a part to play in the marketing of the peasant's produce It is not claimed that co-operation is a panacea for all marketing problems and effective under all conditions There may be cases where the grower will benefit most by a free competitive market, and other cases where marketing through Government boards will secure the best results But in many circumstances of particular relevance to colonial conditions, co-operative marketing offers the best prospects

The outstanding example of a colonial problem in which co-operative marketing has an especially important function to fill is in the struggle against the big trading firms The germs of this

<sup>1</sup> This is discussed more fully in Chapter X

development are indeed already in existence. In Nigeria and the Gold Coast there has long been protest and resentment among Native growers against the monopolistic buying agreements concluded by European concerns to control West African cocoa and palm-products crops in their own interests. The Cocoa Buying Agreement of 1937 brought things to a climax and resulted in an organised general hold-up of cocoa in the Gold Coast. There is also the classic instance of the struggle of the small Jamaica banana growers against the big American fruit firms.<sup>1</sup>

The European and American combines imposing monopoly conditions on unorganised colonial producers, or the trend towards Government Control Boards on which Native growers are not so far represented, do not however complete the picture of exploitation. The publicity focussed on these particular examples, due to the resulting unrest among the more politically conscious peoples of West Africa and the West Indies, has revealed the conditions of economic injustice and poverty prevailing among small producers in those regions. The full extent of exploitation and subjection which prevail to an even greater degree among weaker and less vocal communities has not yet been revealed. Only the outward signs of apathy and stagnation, and the known facts of universal acute poverty and indebtedness give a clue to the position, and to the great need for protective co-operative associations of producers.

There are other directions in which colonial co-operation has a part to play. The striking evidence of malnutrition among colonial peoples,<sup>2</sup> which was revealed by the Nutrition Report in 1939,<sup>3</sup> has compelled the general admission that colonial agriculture must be reorganised—and there is some measure of agreement on the necessity for a great extension of mixed farming. This need for new agricultural enterprises—dairying, market-gardening, poultry-farming, piggeries, etc.—whether caused by fundamental changes in the world market for the main export crops, as in the case of sugar, or by the evil results of specialisation on a few crops liable to price fluctuations, opens a virgin field for co-operative agricultural development, in which long-standing private economic interests and middlemen are less entrenched.

The reorganisation of agriculture, which must be one of the first aims of colonial economics, can only be achieved after most careful

<sup>1</sup> The place of co-operation in the marketing of colonial produce is discussed in Chapter XI.

<sup>2</sup> See *Hunger and Health in the Colonies*, Report to the Fabian Colonial Bureau, 1944.

<sup>3</sup> Economic Advisory Committee on Nutrition in the Colonial Empire. *Vide* Cmd 6050 of 1939, para 116, and Cmd 6051 of 1939, pp 35-38.

scientific and technical research. The results of this research will have to be put into practice by colonial populations of very limited education. How can essential improvements be brought within the capacity of colonial peoples? The co-operative organisation offers the most acceptable means. It provides a platform for the instructor, pools the use of apparatus, makes the adoption and enforcement of new methods a communal responsibility, and is able to link improved production with a better return for the product and hence to a direct and readily understood economic advantage.

Some of the more obvious agricultural improvements which could be introduced through co-operative organisations are stock-breeding, milk recording, veterinary measures, use of improved seeds, provision of seedlings and fruit-trees, control of pests, use of fertilisers, cultivating, harvesting and processing machinery, drainage and irrigation, control of soil erosion, food preservation.<sup>1</sup> Co-operative organisations of producers will provide the channel through which the Government scientific and technical departments—Agriculture, Health, Education, etc—will be able to reach the mass of small producers.

In freeing the colonial producer from his shackles, and in building up the foundations of co-operation until the movement finds strength and momentum to carry on in its own way, help is needed both from the local governments and from this country. The form and shape that this help might take are outlined in the following chapters.

## Chapter II

### THE MEANING OF CO-OPERATIVE ENTERPRISE IN THE COLONIAL FIELD

UNFORTUNATELY, there is no sphere in which more misunderstanding of the underlying principles has existed than in that of the co-operative system. There has been confusion in the minds of even the most distinguished colonial authorities, due in part to the crop of bogus "co-operative" enterprises which have sprung up from time to time in some Colonies, and whose failures have hampered sound co-operative development. It is common practice for critics to

<sup>1</sup> For details see Chapter XIII



emphasise these failures as a reason for discouraging further efforts at co-operation. Public opinion must therefore be disabused of some widely held misconceptions about colonial co-operation.

There is the misconception that co-operative effort is entirely new to the minds of colonials. This is not supported by the facts. Some form of co-ordinated effort is common in even the most primitive societies. In parts of Malaya men and women have worked co-operatively for generations, not only on land as padi planters and forest produce collectors, but at sea as fishermen and boatmen. In West Africa the clearing of ground and burning of bush for cultivation, thatching and hedging are all done communally. In other parts of Africa a rudimentary co-operative management of grazing land has existed for centuries. Although this is not "co-operative" enterprise in the modern sense, being compulsory rather than voluntary, nevertheless a tradition of collective action in the mutual interest of the community is a useful basis for future co-operative development.

What is new is the large-scale penetration of the primitive economics of the colonial peoples by the ideologies and methods of European civilisation. The use of money, the growing of commercial crops, scientific methods of farming were all new and strange ideas to people who did not think in terms of money, but in terms of subsistence and land. Under the impact of these new forces, the interests of weak and illiterate peoples, centuries behind in economic development, require active protection. The need for State assistance to help them to adjust their ideas and methods to a level of scientific progress which has been developing in Europe for centuries is manifest. It is in this period of transition and weakness that colonial peoples need planned assistance from their governments, and the colonial co-operative movements—unlike those of Britain and Denmark—require the encouragement of the State in their initial stages.

A second misconception is the belief that the co-operative methods and technology of highly prosperous agricultural countries, such as Denmark, are unsuited to colonial conditions. It is said that the Danish system demands a very high level of mutual trust and widely diffused business ability, which colonials do not command. Examination of the facts shows that these so-called prerequisites are in fact the products of co-operative Danish agriculture. Seventy years ago, after the Prussians and Austrians had swept the Danes out of the fertile provinces of Schleswig-Holstein into the sandy islands they now occupy, the Danish peasantry was illiterate and

poverty-stricken The country passed from poverty to prosperity in a remarkably short time as a consequence of the introduction of co-operative farming methods coupled with the spread of the folk-schools—the great educational movement which rose among the people themselves<sup>1</sup> The folk-schools produced from among the farmers and peasantry an ever-increasing number of co-operative leaders, who fostered the necessary knowledge and ability among the people

The will and the vision of a people towards improving their conditions must be developed parallel with any programme of co-operative economy One of the most prolific causes of failure of co-operative experiments fostered by colonial governments has been the failure to realise this fundamental requirement In the few Colonies where co-operative departments have been established the importance of this aspect has been realised, and sound progress achieved, the limits of which have been set only by limits of personnel

Another misconception is that certain colonial peoples are incapable of co-operating owing to innate defects of character, or because they are too backward and primitive to imbibe “co-operation” Thus, an official Committee of Inquiry in Malaya in 1911 advised against co-operation on the grounds of the Malay’s character A Co-operative Department was, however, established more than a decade later, and a few years after its inception the Registrar states

“ defalcations in Malayan co-operative societies have been remarkably few in number—only, or possibly less than, four figures in Straits dollars with a turnover running into well over ten millions in amount—which goes to prove that pre-eminence in honesty or efficiency cannot be claimed by any race or class, especially when a few thousand Asiatics of various nationalities in humble walks of life can, with the assistance of a few European civil servants and technical teachers, handle well over a million and a quarter pounds sterling of their own money in the first instance for their own needs and necessities, and at the same time have large surpluses for investment in municipal and government loans ”

Finally, the attitude adopted by many colonial administrators that “Co-operation is some form of charitable or benevolent activity for the ‘uplift’ of poor colonial peoples” must be vigorously opposed The extent to which this idea still prevails is illustrated by the fact that many Colonies still have no adequate Co-operative Ordinance, but

<sup>1</sup> This point is clearly brought out in Mr Peter Manniche’s book, *Denmark, a Social Laboratory*, Oxford University Press, 1939, pp 46 and 70-135

rely on the Friendly Societies and Industrial and Provident Societies Acts, which may not suit colonial conditions, to give societies their legal corporate status

The principle of sound business is a fundamental principle of all co-operative activity. It follows that co-operative credit is not concerned with the indiscriminate extension of credit. While the individual benefits by the mutual collective guarantee of his fellows, the incidental necessity for honesty, punctuality, trustworthiness and fair dealing has an increasing and cumulative value in the colonial's capacity to organise and run his own affairs on a democratic basis. It is a truism that once the peasant is capable of handling his own credit requirements on a co-operative basis with his neighbours, he is also on the way to becoming capable of building up highly efficient organisations for marketing and processing his crop and purchasing his agricultural requirements at wholesale rates, and of taking his place on the large crop and price control boards which are emerging in the general world trend towards international planning.

With these popular misconceptions out of the way, it is possible to examine the actual principles, objects and structure of the co-operative movement. The main types of co-operative organisation which have so far developed, or are showing signs of development, in the Colonies, are as follows, though it should be pointed out that societies often group together various functions.

(1) *Co-operative Credit and Thrift Societies* —The aim of these is to teach the people how to create a sound system of credit for the essential productive needs of the small producer or craftsman, without paying usurious rates of interest, the reduction of existing indebtedness, and the elimination of harmful practices and customs. Almost invariably these objects are achieved through the education of the members in improved standards of citizenship, responsibility and the promotion of thrift. Where a number of these primary societies have become well established, the next step is the formation of Central Co-operative Banks and Unions.

(2) *Co-operative Marketing and Processing Societies* —These seek to teach the producer how to obtain a fair price for his products by the economies of collective bargaining, grading, processing, packing, use of by-products, reduction of distribution costs, and by improving the quality of his crops and methods of processing. A number of these societies (e.g. the cocoa-marketing societies of Nigeria and the Gold Coast) also combine credit functions.

(3) *Co-operative Agricultural Societies* —These are educational associations, where peasants meet to hear lectures and discuss farming technique. The West Indies have several such societies, which are well organised and doing useful work, though they are not co-operative in any economic sense.

(4) *Agricultural Purchasing Societies* —These exist for the purpose of

buying seeds, fertilisers, tools and other stores (as distinct from consumers' stores). Some marketing and credit societies undertake such work ancillary to their main business, and in several Colonies Departments of Agriculture supply the peasant's small individual requirements of seeds, seedlings and tools.

(5) *Consumers' Co-operative Societies*—Their aim is to supply the day-to-day shopping requirements of consumers, in villages and towns, on a non-profit basis. They obtain goods as near as possible to the source of supply and retail them to members at prevailing market prices, returning the surplus from their trading operations, after deducting actual working costs, in the form of a dividend to members *pro rata* to their purchases. Customers' societies have made good progress only in Palestine and Cyprus, but a beginning has been made in Kenya, where a few shops have been initiated by the Jeanes School in Nairobi. Interest in the idea of village shops has been aroused in Niasland, and co-operative stores have been successful among the workers' settlements on the Ceylon tea plantations. Similar developments appear to be immediately desirable to replace the existing truck systems in many plantation areas, e.g. in the Cameroons.

(6) *Co-operative Agricultural Settlements*—These endeavour to reduce the cost of settlement on the land and to increase the efficiency of production. For this purpose the members usually carry out all permanent works, such as farm building, drainage, deep ploughing and irrigation, jointly, and use expensive machinery on a collective basis. They also purchase their farm requirements and sell their products jointly. The best examples of successful co-operative settlements are to be found in Palestine, but experiments are being made in Jamaica.

(7) *Irrigation Societies*—The aim is to enable water consumers to obtain a good and regular supply of water at the lowest possible cost, to teach them how to manage their own supply, and make the most economical use of it.

(8) *Co-operative Craftsmen Societies*—These are to be found mainly in Ceylon, where there are a few societies of weavers, carpenters and smiths. There are also a few in carpentry, carving, furniture and ironmaking in West Africa.

(9) *Health, Sanitation, Housing, Transport and General Purpose Societies*—In countries such as the Colonies, where the social services provided by central and local authorities are still undeveloped and costly, there is an immediate need for co-operative action in the provision of social services which may not have direct economic objects. This type of society is extremely valuable in primitive communities. Societies of the "Better Living" type and the "General Purpose" societies of India and Malaya fall within this group—also the new groups being formed in Jamaica with the help of "Jamaica Welfare". The objects of such societies include the restriction of expenditure on ceremonies, the prevention of litigation by arbitration, beautifying the town or village, clearance of burial-grounds, building footpaths, running schools, clearing wells and drains, organisation of local fairs, and so on. All these activities serve to draw the threads of village life close and make the individual more conscious of his duty and responsibility to his fellows. In Palestine

the Housing and Transport Co-operatives have been of great value in Jewish colonisation

(10) *Wage-earners' Thrift Societies*—These societies fulfil the twofold purpose of encouraging workers to save within their means, and also of providing cheap credit

(11) *Co-operative Farming*—This is still in its infancy in the Colonies, with the exception of Palestine

(12) *Co-operative Stock-breeding and Livestock Societies*—These are concerned with improving the strains of livestock, disseminating technical advice and education, encouragement of scientific methods of breeding, milk recording, etc. They can be developed for the handling, transportation, slaughter and canning of cattle

This summary does not include every type of society which has emerged, but it presents a picture of the diversity of co-operative activity and its adaptability. Where the peasant is burdened with debt, as in the Asiatic Colonies, the tendency has been for co-operative activity to be devoted to overcoming this overwhelming problem. Indeed little progress can be made in any other field until a substantial freedom from bondage to the moneylender has been achieved. In other Colonies the problems of over-population and land settlement may lead to the establishment of co-operative settlements and co-operative farming methods as a means of giving increased employment and increasing productivity. Similarly, the necessity for improving nutritional standards may encourage such forms of co-operative activity as dairying societies and co-operative fisheries—which have hitherto not taken root in the Colonies.

Even under present conditions, however, there is no reason why a typical colonial village, carefully educated in co-operation, should not in time develop all, or the majority, of the following activities: co-operative marketing societies (each crop to have its separate society), agricultural society, credit and thrift society, co-operative shop, several livestock societies, a general purpose society, and possibly a house-building society. Such a village would not fall far short of the progressive standards of the typical rural village in Denmark, or in some parts of the Dominions.

A definition of co-operative enterprise in the colonial sphere must therefore be an elastic one, to cover not only existing enterprises, but the embryonic forms of future development and enterprises which in industrial communities would generally be undertaken by the municipality. The following simple definition is submitted:

"A co-operative society is a corporate<sup>1</sup> body which acquires legal status by registration under the Co-operative Societies Ordinance or

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<sup>1</sup> "Corporate" is not necessarily used here in the narrowest legal sense

equivalent statute, and which is formed voluntarily by groups of producers and/or consumers for the carrying on of any activity aiming at their mutual welfare on the basis of democratic responsibility<sup>1</sup>

It is important to stress that the term "co-operative" should exclude all forms of voluntary associations whose activities aim at mutual welfare in the shape of dividends on invested capital. These associations may be admirable in themselves, but co-operation has in the past been prejudiced by organisations using the name "co-operative" for misleading purposes. In the extension of co-operative enterprise in the Colonies, special care must be taken against renewed confusion.

Three basic principles of co-operative organisation must accompany this definition.

(1) The individual members themselves own and manage the Society in their corporate capacity and are responsible for its proper conduct and administration on a democratic basis. (This precludes actual management by the State but does not exclude official inspection and advice. The State must, in fact, play an important part in the early stages of development.)

(2) The members reap the benefit of their collective effort, not in the payment of profits on capital invested (this usually bears a fixed return of not more than 6 per cent), but in proportion to their sales or purchases with their society. They also benefit by the reduction in rates of interest on their borrowings, or in the promotion of some mutually beneficial enterprise.

(3) As a general rule co-operation should be voluntary, with freedom to join and to leave the society. The Co-operative Society would lose its co-operative character if it became a closed corporation which outside producers were not free to join and participate in the benefits of membership, or if it took the form of a compulsory marketing board<sup>2</sup>.

<sup>1</sup> It has been pointed out that a co-operative society is not necessarily a corporate body, and acquires this status only on registration. An alternative definition is given by Mr H. Calvert (*Laws and Principles of Co-operation*, p. 14).

"Co-operation is a form of organisation wherein persons voluntarily associate together as human beings, on a basis of equality, for the promotion of the economic interests of themselves."

The objection to this definition is that a co-operative society need not be formed for directly economic purposes.

<sup>2</sup> This does not imply that a person, having undertaken responsibilities in his society, is always free to discard them at will. For example, the Nigerian co-operative cocoa-marketing societies require members to give two years' notice of their intention to terminate their delivery contracts. Normally, marketing societies require members to sell all their crops through the society during the period of membership to prevent dislocation of the society's business and prejudicing its operations. Similarly, there may be instances where compulsion is necessary at the start in order to get a co-operative society functioning. Some discretion in these matters must be left to the trained personnel on the spot.

## Chapter III

THE GROWTH OF CO-OPERATION IN  
THE COLONIES

WHEN the earliest co-operative experiments were being made in the Colonies, in the first decade of the present century, co-operation in marketing, processing and agricultural activities generally was already well advanced in most of the Dominions and in Denmark. The Raiffeisen and Schulze-Delitzsch type of co-operative credit association had been benefiting the rural populations of Europe for at least half a century, and India was already a laboratory of co-operation as applied to primitive rural communities.

Nevertheless, the brief history of co-operative development in the British Colonies is a record of extraordinary confusion in the minds of administrators as to the principles and objects on which the movement is based. It is often a somewhat depressing story of suspicion, misunderstanding and apathy, at times even of direct obstruction, relieved only by the valiant efforts—too often unavailing—made by progressive individuals. Notable among these are various Directors of Agriculture, who from the first recognised the need for co-operation. Its importance has also been acknowledged by such authorities as Lord Hailey and Sir Alan Pim, and there has been the support of some recent Government commissions, such as the West African Cocoa Commission of 1938. Let us briefly survey the record.

*British West Indies*

As early as 1900 a start was made by the first Commissioner of the Imperial Department of Agriculture for the West Indies (merged, in 1925, into the College of Tropical Agriculture in Trinidad) to promote co-operative effort, especially in regard to the marketing and processing of cash crops, such as Sea Island cotton, and the provision of credit. Success was obtained but not followed up, and there is now but little to show for these early efforts. This was due to the failure of the West Indian Governments to provide the necessary supervision and guidance.

To-day there are substantially no genuine co-operative associations of producers throughout the entire territory, although there are sporadic organisations, profit-sharing ventures and the like, which might be mistaken for co-operation. The famous case of the

Jamaica Banana Producers' Association, which is discussed later, was co-operative in intention, but not in practice. There is little evidence of any official support or encouragement being given to co-operative development.

In no colonial area has the co-operative issue been so confused as in the West Indies, or the need for Co-operative Departments and staffs more pressing.

### *British West Africa*

Practically the whole of West African agriculture is peasant cultivation. The few existing European plantations, alienated from the Africans, are confined mainly to the Cameroons. There has been a strong trend in recent years towards specialisation on staple export crops, such as cocoa, palm products and groundnuts, the marketing of which affords bright prospects for co-operation. Co-operative Ordinances legalising the status of co-operative societies and associations of Native producers and consumers have been enacted in three of the four West African Colonies. Ordinances were passed in the Gold Coast in 1929, 1931 and 1937, in Nigeria in 1935, and in Sierra Leone in 1939. A separate co-operative section with its own Registrar and staff was established in Nigeria in 1936. It became a separate Department in 1943, and a year later a Department was also established in the Gold Coast, where up till then a Registrar had been working within the framework of the Agricultural Department.

There were the beginnings of the movement in Nigeria a number of years earlier. From 1922 onwards the Department of Agriculture initiated a series of collective cocoa fermentaries and Cocoa Sales Societies with the objects of improving the quality of the Nigerian product and teaching farmers how to obtain a fair price for it. But it was not until Mr C. F. Strickland had paid a visit of investigation in 1933 that proper by-laws were drafted and a Co-operative Ordinance enacted in 1935. A Registrar was appointed the following year. He was virtually head of a separate section of the Administration directly responsible to the Chief Secretary.

This co-operative section took over supervision of the cocoa-marketing societies in 1936. The best of them then reached a genuinely co-operative standard, became entirely self-supporting, had their own stores, weighing machines and other equipment, and paid their own secretaries and labourers. They also regularised the credit needs of their members. Normally, farmers had paid about 100 per cent interest in kind to the produce buyers. The



co-operative societies granted loans on the security of the cocoa crop at 15 per cent, repayable during the next cocoa season. Up to 1938 no demand for a longer term had arisen. The membership of the cocoa sales societies increased from 1494 in 1930-31 to 12,738 in 1942-43. In 1930-31 they were handling 551 tons of cocoa and in 1942-43, 11,735 tons.

The other great Nigerian crop—palm products—grows for the most part wild and is collected and the oil extracted by the peasant, using the spare labour of his family. Successful attempts have been made in recent years to develop co-operative marketing and processing of palm products, and a few societies have been established in Southern Nigeria.

In 1937 the large European firms purchasing cocoa in Nigeria and the Gold Coast concluded a Buying Agreement among themselves, fixing purchase prices. This coming at a time of falling prices caused deep resentment among growers, who held up sale of their cocoa over the whole season. The Secretary of State for the Colonies appointed a Commission to inquire into the marketing of West African cocoa,<sup>1</sup> which in 1938 recommended that the greater part of the crop should be marketed co-operatively. No progress was made in implementing this, because of the outbreak of war. Early in the war the Colonial Office set up the Cocoa Control Board to purchase and ship the entire W. African crop. The Native producers were not represented on this Board.

On the Gold Coast, where cocoa accounts for nearly all the agricultural exports, the co-operative movement was fostered, until 1944, by officers of the Department of Agriculture, with the Director acting as Registrar. But the effects of not having a separate Co-operative Department and staff are reflected in the recommendations of the 1938 Cocoa Commission. In Nigeria the Commission was optimistic about the position of the co-operative societies, but as regards the Gold Coast it stated that it had carefully considered the possibilities of developing the existing societies, but did not consider that the prospects of their rapid development were encouraging. In 1937-38 the societies, with a membership of about 10,000 out of 300,000 Native cocoa growers, marketed less than 3 per cent of the crop. The Commission was of opinion that a scheme built up and operated on an entirely voluntary basis would afford the best means of marketing cocoa, but felt that this plan was at present impracticable in view of the absence of experience in co-operation on sound principles. It is made abundantly clear in an expert report on the

<sup>1</sup> *Report of the Commission on the Marketing of West African Cocoa, 1938* Cmd 5845

Gold Coast<sup>1</sup> that the movement in that Colony had never aimed at a true and voluntary co-operative basis. The Commission therefore recommended "that the principle of association of all cocoa producers on a statutory basis for marketing their produce should be accepted by Government." It was considered that the Gold Coast Co-operative Movement should concentrate in future on the vital functions of accepting deposits and providing credits, in which it had achieved a distinct success. The Commission further recommended that a separate Department of Co-operation should be formed to work in close contact with the Department of Agriculture. The Registrar should have special knowledge of co-operative credit and the staff should receive special training.

In the Gold Coast, as in Nigeria, the recommendations of the Commission were not implemented before the outbreak of the war and the official Cocoa Control Board took over the marketing of the whole crop. In October 1944 a White Paper on cocoa control and a statement of future policy was published.<sup>2</sup> The proposals put forward were that cocoa should continue to be bought through Government agencies at uniform prices fixed season by season, and sold to the world by these special agencies at world market prices. These organisations were to be established by the Colonial Governments and to act "as trustees for the producers." In the Gold Coast the organisation would have an official majority representing the interests of the producers, and the other members would include Africans and "representatives of other interests." In Nigeria, the agency will be the supply branch of the Nigerian administration with an advisory committee representative of the producers and other interests. In making these proposals the White Paper lays great stress on the part to be played by co-operatives.

"These proposals do not in any way represent a departure from the policy of fostering and of developing the co-operative movement among West African producers. The development of this movement remains a cardinal object of government policy, and, indeed, it is felt that the growth of the movement may be greatly strengthened and accelerated through the operation of the scheme that is now proposed."<sup>3</sup>

As regards the Gold Coast the proposals specifically state that

"The Government majority will represent the interests of the producers and will act as trustees for them until such time as the producers' co-operative societies have developed sufficiently to enable

<sup>1</sup> *Report on the Economics of Peasant Agriculture in the Gold Coast*, by C. V. Shepherd, Accra, 1936.

<sup>2</sup> Cmd 6554

<sup>3</sup> *Ibid*, p. 11

them effectively to provide their own representation. It is contemplated that representatives of the producers should eventually constitute a majority in the proposed organisation"<sup>1</sup>

It is curious that the proposals for the representation of co-operative societies in Nigeria, when the societies are actually stronger than in the Gold Coast are nothing like so specific. It is merely stated there that the advisory committee should be "representative of the producers and other interests concerned". These proposals have aroused much controversy and their future is not yet decided.

In Sierra Leone there has been very little co-operative development among Native producers. On the initiative of the Director of Agriculture, who had personally investigated co-operative organisations in various countries, a beginning was made by drafting a Co-operative Societies Ordinance, based on the Gold Coast model. The bill was ready at the end of 1932, but was not passed until May 1939, and no separate Co-operative Registrar has been appointed. In 1939 there were five societies for the production and marketing of rice, but the principal exports are palm kernels and ginger, and so far little has been done to introduce co-operation for the marketing of these crops.

In Gambia there is no Co-operative Ordinance legislating the position of co-operative societies, no Co-operative Department or Registrar, and little evidence of encouragement by the administration. An abortive attempt among the Natives, in the early nineteen-thirties, to combine for marketing their single export crop—groundnuts—led to a disastrous hold-up. This was due to absence of supervision and lack of understanding of co-operative principles.

In the whole of the West African Colonies there has been practically no development of co-operative consumers' societies. The Labour Adviser to the Colonial Office has recommended co-operative stores for the Cameroon plantations, but there is a widespread need for co-operative associations of consumers, in addition to associations of producers, particularly in the rural districts, where trade is monopolistic in character. Quick results cannot be expected with this type of co-operation, which is difficult to organise and manage.

### *British East Africa*

Throughout the greater part of Kenya and Tanganyika, two systems of agriculture exist side by side in watertight compartments. On the one hand, the small Native producers, on the other, the more

<sup>1</sup> Cmd 6554, p. 11

prosperous agriculture of the European settlers. There are no large buying combines as in West Africa, and no excessive specialisation on one or two export crops. On the other hand, there is an almost complete absence of co-operative organisation among the Native producers, and ample evidence of preferential treatment in favour of the European growers, particularly in Kenya. In that Colony, licences to grow coffee of the finer "arabica" variety are issued to white settlers only, and tea is also regarded as a "European" crop.

The Pim Report of 1936<sup>1</sup> stated that "up to the present, practically nothing has been done in Kenya in developing Native co-operative organisations, and what little has been attempted appears to be on doubtful lines". Even the Kenya Co-operative Ordinance of 1931 "is better adapted to the needs of Europeans than those of Africans. The fee for registration of a society is 25s, as against 3s in Tanganyika"<sup>2</sup>. This Ordinance is quite unsuitable for Native societies, and does not confer the necessary powers for conducting and guiding them in their early stages of development. Nothing has been done to carry out the recommendation of the Pim Report, that co-operative staff should be trained for the organisation of Native co-operation<sup>3</sup>.

In Tanganyika a Co-operative Societies Ordinance, based on Ceylon legislation, was enacted in 1932. There is, however, no Co-operative Department and very little staff. There has been some success in the collective disposal of the coffee crop through the Kilimanjaro Native Co-operative Union, an organisation which is based on co-operative principles, with a European manager employed by the Union. The Union acts as the agent for the Government Native Coffee Board, which does the actual marketing. The history of this body is somewhat chequered, but in recent years it has developed into a flourishing concern.

Uganda has no co-operative law, nor any associations of Native producers of importance. A Co-operative Societies Bill, on the lines of the Tanganyika Ordinance, was introduced in 1937, but met with considerable influential opposition, and was not passed into law. It is not to be thought that this opposition came from the Native agricultural peoples.

The Zanzibar Administration, following on an official report by

<sup>1</sup> *Report of the Committee to inquire into and report on the Financial Position and System of Taxation of Kenya, 1936* Colonial No 116

<sup>2</sup> Hailey, *African Survey*, p. 1473

<sup>3</sup> In 1944 Mr W. K. H. Campbell was sent to Kenya by the Colonial Office, and his *Report on an Investigation of Co-operative Possibilities in Kenya* was published in December 1944. He also strongly recommends the appointment of a Registrar and trained staff, and the establishment of a separate Co-operative Department.

Sir Alan Pim, appointed a Co-operative Registrar and passed a law legalising Co-operative Societies in 1932. It was intended to develop co-operation among the Swahilis, who form the great majority of the population and are heavily indebted. The post of Registrar was abolished a year after its creation, and all co-operative enterprises abandoned.

Of the remaining British territories in Africa, Lord Hailey says "There is no Native co-operation in Basutoland, Bechuanaland, Swaziland, Southern Rhodesia or Northern Rhodesia"<sup>1</sup> There is also little record of any constructive efforts for their encouragement, beyond the passing of Co-operative Ordinances, which, as in Kenya, are specially suited for the European communities.

### *Malaya*

Here the first main problem was to relieve widespread debt slavery, and the co-operative movement has concentrated on this objective. Co-operative systems were first mooted by the Chief Secretary to the Government in the Federated Malay States, who had been impressed by the work of such societies in India, where indebtedness is also widespread. A Committee of Inquiry was appointed in 1911 which advised against co-operation on the score of the Malay's character, and on the additional ground that it would be against the tenets of his religion. The religious aspect was investigated by the sultans of Perak, Selangor and Kedah, by the leading religious authorities of Malaya and Egypt, and by the Mufti of Mecca. They unanimously agreed that there was nothing contrary to the Muslim religion in the practice of co-operative credit societies.

Later a British officer was sent by the Governor to study the co-operative movement in Burma and Great Britain. In 1921 a bill for the constitution and control of co-operative societies was drafted for the two legislatures of the Federated Malay States and the Straits Settlements Colony. This was a close adaptation of the corresponding Indian law. The two Governments approved a vote of \$40,000 (nearly £5,000 a year) for co-operative work. There was to be an Officer-in-Charge of Co-operative Societies, as he was first styled, to initiate and develop the movement. The Federated Malay States Council passed the bill without demur in 1922. The Government of the Straits Settlement, however, took fright, and refused to introduce the bill into the Legislative Council without giving any reason. The Governor, however, intervened and made

<sup>1</sup> Hailey, *African Survey*, p. 1471

the Colony contribute \$5,000 towards the cost of the "experiment" It was not until the end of 1924 that the bill of 1922 became an Ordinance in the Straits Settlements

In 1925 the Netherlands East Indies Government gave the Director of the now joint Co-operative Department of the F M S and Straits Settlements facilities to investigate the Credit Institutions, Padi Banks, and co-operative-marketing organisations in Java and Sumatra This visit was of great value in settling the lines of policy and the principles of work for the Malayan Co-operative Movement

Favourable developments in the Federated Malay States had their influence on the Unfederated States Under the guidance of their British advisers, the Kedah and Perlis Governments, about 1926, sent officers to the Malayan Co-operative Department for training in co-operation The movement later made a propitious start in both these States with the warm support of the Sheik-ul-Islam and the Mohammedan religious authorities During the strain of the depression years of 1929 to 1936 none of the rural credit co-operative societies in Malaya were unable to repay members their share capital in full

At the time of the Japanese invasion, the Malayan Co-operative Movement had only touched the fringe of the debt problem The Malayan farmer still had to rely on Indian and Chinese money-lenders as his chief source of credit, short or long term Nevertheless, the Co-operative Department had taught several thousand Malay peasants to be independent of outside finance and to use their own money wisely

### *Ceylon*

The problem of rural indebtedness also exists, and the Co-operative Movement here has also concentrated on credit and thrift rather than on marketing, or the preparation and processing of commercial crops It was not until 1926 that the Government took co-operation seriously, when a Joint Registrar was appointed to be a "Co-operative Colleague" to the Director of Agriculture, who was *de jure* Registrar In 1930 a separate Co-operative Department was established Whilst the first Registrar and Assistant Registrars were Europeans, the present Registrar and his staff are Sinhalese or Tamils The Department has always kept the idea of a self-governing Co-operative Movement to the fore

During the last ten years the number of societies and their membership have rapidly increased In April 1930 there were 22,400

members, in 1937 nearly double—14,753 by 1940 they had increased by another 56 per cent to 70,000. In a recent survey the Co-operative Registrar states

“The demand for societies now needs no artificial stimulation and the problem is how to relate demand to the capacity of the staff that exists to supply it”<sup>1</sup>

A recent decision by the Department of Agriculture to choose villages with local co-operative societies for experiments in intensive agriculture is clear recognition of the important rôle co-operation can play in rural reconstruction.

### *Palestine*

Development of the co-operative movement in Palestine is marked by the sharp contrast in the standards achieved by the Jewish and Arab communities, whose widely different characteristics and cultures are emphasised by the virtually watertight compartments in which they exist in the same territory.

The progress made by the Jewish co-operative movement, the creation of an imposing economic and social structure by men without large means, is one of the most remarkable achievements of the last thirty years in Palestine. The movement originated among the Jewish citrus growers and vintners at the beginning of the present century, with the object of improving their economic conditions by collective bargaining. “Pardess,” for many years one of the largest citrus-marketing societies in Palestine, and which has recently federated with other societies into a centralised co-operative marketing association, was actually established in 1896.

From these early beginnings, the Jewish community adopted co-operation as the economic form best suited to its colonising activities. It was found that in a primitive agricultural country with undeveloped land, and trying climatic conditions, mutual help and joint effort were essential to successful settlement, and this fact, together with the desire to create a more just social and economic life, constitutes the driving force which prompted the Jews to create a society in which the dominant note was the co-operative principle. Ranging from collective marketing and purchasing of agricultural products to an intricate system of credit, banking and insurance, extensive and successful agricultural settlements and communities, consumers, housing, and transport societies, and more recently to diverse industrial undertakings, the Jewish co-operative movement

<sup>1</sup> *Year Book of Agricultural Co-operation*, 1941, p. 229

has steadily progressed from the primitive agricultural condition of thirty years ago to the progressive semi-industrial country of to day.

On the other hand, the Arab community, whose social and economic background more closely resembles those existing in our colonial territories, made no progress in the co-operative field until the establishment of a separate Co-operative Department, with a fully trained Registrar and staff, by the Palestine Government in 1933. The Co-operative Societies Ordinance of that year marked a reversal of the previous passive policy of Government towards co-operation. The new policy was based on active encouragement and supervision by the Registrar of the formation of Arab co-operative societies. The Department's primary task was to tackle the indebtedness, chronic poverty and illiteracy existing among the fellahen in the Arab villages. The first aim was the creation of a sound system of credit for essential purposes, at low rates of interest, through the development of co-operative credit and thrift societies on the basis of mutual help and improved standards of citizenship.

After intensive preliminary educational campaigns steady progress was made, until the outbreak of the disturbances in April 1936, followed by the outbreak of war in 1939. War conditions have, however, brought far-reaching changes in the economic position of the Arab peasants. Their financial position has greatly improved. Their agricultural products are in lively demand and prices of their staple products have risen in a remarkable degree. The fellah has been able to free himself to some extent from the oppressive burden of debt and it is hoped that this effect will become permanent. Co-operative development may therefore be considerably accelerated in the post-war years. The Ordinance of 1933 applies both to the Jewish and Arab co-operative movements. In the former case, the Registrar receives the guidance and advice of the Jewish Co-operative

- Advisory Council composed of Jewish co-operative leaders

The detailed analysis of co-operation in Palestine in a later section of this report indicates the numerous lessons which can be learnt from a Colony which has used co-operation in extensive and diverse ways

### *Mauritius*

The population of this small island in the Indian Ocean is almost entirely concerned with the production of its staple crop—sugar. In 1938 sugar represented £2,458,000 out of total exports of £2,505,000, and is grown both by planters and peasants. Like the West Indies, Mauritius has been seriously affected by the changes



in world sugar production, and the standards of health, nutrition and general living conditions of the population as revealed in the recent report of the Labour Adviser to the Colonial Office<sup>1</sup> are appalling. The cultivation of cane sugar, with its long growing season, requires an adequate system of credit to meet farmers' needs. There is considerable indebtedness among the peasantry and the Government has established a special section of the Agricultural Department, with a Co-operative Registrar, for the development of credit and thrift societies to relieve this evil. In 1939-40 there were 46 active societies, with 2,600 members, and working capital of £24,500, including £3,500 lent by the Government.

### *Cyprus*

This Colony, by virtue of its close proximity to the European continent, has had the advantage not only of easy interchange of ideas and methods of European co-operative movements, but of an active Co-operative Department with a trained Registrar and staff for the purpose of encouraging co-operation.

The island achieved a high standard of co-operative development covering a wide range of activities, including co-operative marketing societies, wine-making and oil producers' co-operatives and consumers' societies. But its main success has been in the development of credit and thrift societies, which now exist in most of the villages. A Co-operative Central Bank started operations in January 1938. The stress on credit co-operation is understandable in view of the long-standing problem of rural indebtedness with which Cyprus has been burdened.

This summary of co-operative development in the various territories of the Colonial Empire reveals a remarkable diversity in the attitude of individual colonial governments to the encouragement of co-operative effort. In only six territories<sup>2</sup>—Malaya, Ceylon, Nigeria, Cyprus, Mauritius and Palestine—have the administrations established a separate Co-operative Department, Registrar and staff. The value of these Departments, with staffs of whom all too few have been trained in the science of co-operation, has already been proved beyond doubt. In Ceylon the movement is attaining its own momentum, and expanding rapidly under the guidance of Native co-operative personnel and leaders who have sprung from the local population. In Nigeria the Cocoa Commission adjudged the farmers capable of undertaking the marketing of the entire cocoa

<sup>1</sup> Cmd 6423. See also Report.

<sup>2</sup> There is now a seventh—the Gold Coast.

crop. On the other hand are the Colonies which as yet have no Native co-operative societies to speak of, and no Departments to encourage their growth.

Two fundamental needs become increasingly apparent.

(1) If commensurate progress among all colonial peoples is desired, a unified policy of establishing similar Co-operative Departments with trained personnel must be adopted in all Colonies. In smaller territories, where the area and resources are insufficient to justify the appointment of a whole-time Registrar and Co-operative Department, the best course would be for a group of Colonies to share such a Department on a regional basis. There would of course always have to be adequate collaboration and consultation with other interested departments, such as the Departments of Agriculture and Education.

(2) Nothing constructive is likely to be done in areas where the movement has not taken root, without specific guidance from the Colonial Office. As far as is known, no official pronouncement defining the policy of the British Government with regard to colonial co-operation has been sent to colonial administrators, other than a memorandum on the desirability of co-operation which was issued to all colonial governments by Lord Passfield when Colonial Secretary. The fact that this memorandum was not more productive, and was not followed up by instructions, makes it clear that a strong central policy based on the Colonial Office in London is essential. This would avoid duplication of mistakes occurring over and over again in different Colonies, and would speed up the slow pace at which new ideas percolate by a process of circumambulation around the "periphery" of the colonial system.

## Chapter IV

## THE BRITISH WEST INDIES

THE appalling conditions existing among the two and a half million people living in the numerous islands and territories constituting the British West Indies have become well known in recent years. The 1939 Report of the Economic Advisory Council on Nutrition in the Colonial Empire,<sup>1</sup> the West Indies Royal Commission of the same year,<sup>2</sup> the Report on Labour Conditions in the West Indies by Major Orde-Browne,<sup>3</sup> the Stockdale Report of 1943<sup>4</sup> and the Report of the Agricultural Policy Committee of Trinidad and Tobago, 1943,<sup>5</sup> all speak frankly of the fundamental economic and social disabilities from which the West Indies have suffered for generations. There has been no mincing of words as regards the depressingly low standards of education, high incidence of disease, oppressive mortality rates, evil housing conditions and inadequacies of nutrition.

Many factors have been responsible for this situation. The population of the West Indies has increased rapidly, and to-day bears no relation to the *existing* productive capacity of the islands. The important thing is to enlarge this productive capacity. There is urgent need for creating new fields of employment. More intensive cultivation is one possibility, the further processing of their staple products in the West Indies themselves is another, a third is the development of secondary industries. There is also the possibility of extending undeveloped forms of agriculture, such as dairying, which is so essential for meeting the nutritional requirements of the people.

A further factor in West Indian economic distress has been the specialisation of agriculture on a very limited number of export crops. Sugar was the classic product of the West Indies, but tropical

<sup>1</sup> Cmd 6050, 1939

<sup>2</sup> See Recommendations of the West Indies Royal Commission, 1938-39. Cmd 6174, 1940

<sup>3</sup> Cmd 6070, 1939

<sup>4</sup> *Development and Welfare in the West Indies, 1940-42*. Colonial No. 184, 1943

<sup>5</sup> Trinidad and Tobago. *Report of the Agricultural Policy Committee (Part I)*, 1943

## Co-operation in the Colonies

sugar has lost its former unchallenged position. Since the beginning of this century Jamaica has concentrated more and more on banana which formed 60 per cent of the Colony's export in 1938. The tendency towards specialisation is brought out in the following table, showing the values of the principal crops exported in 1938—sugar products and bananas overtop all other exports put together.

	Jamaica	Trinidad	British Guiana	Barbados	Wind Is.	Leeward	Brit Hond.	Total
Sugar products	£600's	£600's	£000's	£000's	£000's	£000's	£000's	£000's
Bananas	1,118	1,071	1,710	1,119	115	420	—	5,586
Cocoa	2,917	9	—	—	36	—	—	301
Spices	17	194	—	—	237	—	—	653
Citrus	256	11	—	—	119	—	—	416
Coconut products	153	123	1	—	54	5	10	300
Cotton	95	9	10	—	10	—	—	196
Coffee	—	—	—	—	—	—	12	147
Rice	133	6	1	—	—	—	—	112
Arrowroot	—	—	120	—	92	—	—	12
								9

Under such lopsided conditions a period of low prices in the world markets disrupted the whole economy of the islands. The burden of economic depression has always fallen most heavily on the Native growers or, in the case of plantation crops, upon the labourers, amongst whom unemployment is chronic and heavy. The more recent policy of Government-sponsored land settlements, which "have been established throughout the British West Indies largely as a palliative to agrarian discontent, has proved a costly process and, on the whole, the results have been disappointing to the settlers concerned" <sup>1</sup>.

Another cause of economic distress has been the concentration of land in the hands of a few large landowners. This constitutes a major problem requiring a fundamental change in Government land policy. In St Kitts, where the position is at its worst, the entire labouring population is without any kind of landed property. In Jamaica, one of the least affected territories, it has been stated that, "of a population of about 1,200,000, 800 people own and control more than half the land. There are 153 people who own, on the average, over 3,000 acres. On the other hand, 80,000 peasants were shown to have less than a quarter of an acre on which to make their livings" <sup>2</sup>. Sir Frank Stockdale comments on "the disastrous results to the community of the freehold system, especially

<sup>1</sup> Stockdale Report, *op cit*, p. 35.

<sup>2</sup> Mr Ben Riley in the House of Commons, 15th April 1943.

the fragmentation of holdings, the indebtedness of the land, and the accumulation of land by mercantile interests at the expense of the agricultural community" <sup>1</sup> He also points out that "it is obvious that there can be no agricultural advance or contented peasantry until the relations of landlord and tenant are placed on a satisfactory statutory basis which provides compensation for unexhausted improvements, this reform is one of the most urgent for agriculture in the British West Indies" <sup>2</sup>

What steps have been taken to encourage the growth of co-operative enterprises among the common peoples of the West Indies in order to develop qualities of self-help and leadership which would enable them to grapple with their disabilities? We have mentioned the beginning of co-operative effort among producers some forty years ago, under the guidance of the First Commissioner of the Imperial Department of Agriculture. It is to his credit that the Sea Island cotton industry was re-created in the West Indies. Cotton is primarily a peasant crop. Co-operative ginneries were established in all the islands which grow cotton, where the cotton growers delivered their crop and received an advance equivalent to a portion of the estimated market value. At the end of the season the profits on the whole crop were divided as a bonus or "dividend" per pound of cotton delivered. These co-operative ginneries not only separated the lint from the seed and packed it by hydraulic pressure in bales for shipment, but also pressed cotton seed and extracted the oil for export. The pressed cake was then sold to the growers for use as a food for stock or fertiliser. Through lack of proper guidance, however, there has been little extension of this experiment. The majority of the ginneries to-day are private concerns although there are also a few owned by the governments in the Leeward Islands and St. Vincent.

Sugar, the major export crop, is principally a plantation crop, but is also grown by numbers of small holders in all the sugar-growing islands. Both plantation owners and small producers sell the cane to sugar factories for grinding. Originally, there were hundreds of sugar factories, each plantation having its own, but by a process of concentration over half a century they have been reduced to a few large central factories. These exercise a certain monopoly and may or may not be associated with the large

<sup>1</sup> Report, *op cit*, pp 32-33. Sir Frank Stockdale is using the term "fragmentation" in the sense of a minute subdivision of holdings, not in the stricter sense in which it is used by standard rural economists, and by us elsewhere in this study, to mean the scattering or disposal of plots, irrespective of the size of the total holding.

<sup>2</sup> *Ibid*, p 36

plantations. The prices paid to growers by these factories are a constant source of dispute and complaint. The Sugar Commission of 1929 suggested they should be subject to supervision, but up to the outbreak of war prices were regulated only in Trinidad and Grenada, and even there on sliding scales, which throw the burden of price fluctuations most heavily on the grower. There are no Government sugar factories. In Antigua, St Kitts, British Honduras and Barbados some or all of the factories have schemes whereby a part of the profits are shared with the growers. These have been described as "co-operative societies of the paternal type," a contradiction in terms. They could only properly be termed "co-operative" if the growers owned the factory on a democratic basis and all profits were returned to them. At present the small holder is generally excluded even from such profit-sharing schemes. It is true to say that there is no genuine co-operation in this major industry. The future of the West Indies sugar industry is, in any event, obscure. There has been a partial recovery of the trade during the war, owing to suspension of the International Sugar Agreement. But West Indian sugar interests already anticipate with misgivings a return to the lower pre-war volume of exports when the war is over, and have begun to consider the development of alternative farming schemes. Unless additional uses for West Indian cane sugar on a large scale can be found in the post-war period the problem of providing employment or resettlement of large numbers of displaced plantation workers and peasants will be acute.

This picture of co-operative development in the West Indies is dominated by the failure of the biggest co-operative marketing experiment ever tried in the Colonies. This was the attempt to establish a co-operative marketing organisation of thousands of Jamaica banana growers. The history of this unsuccessful effort is worth telling in detail. Many mistakes were made from which there are lessons to be drawn, while the story throws a revealing light on the difficulties which co-operators must face when in competition with a private company with world-wide ramifications.<sup>1</sup>

Prior to 1926 the shipping and marketing of bananas was virtually a monopoly of an American concern, the United Fruit Company, which controlled the British firm of Elder & Fyffes. The price paid by these firms to growers had been brought down to a very low level. After the war of 1914-18 it was as low as 1s 3d per bunch.<sup>2</sup>

<sup>1</sup> For the full story see *Jamaica—the Blessed Island*, by Lord Olivier (Faber, 1936), chap. xxxi, "Banana War".

<sup>2</sup> That is, a complete stem of bananas.

Occasionally, it reached 3s 6d, but the average until 1929 was 1s 9d. There was a strong feeling among the growers that, notwithstanding high ocean-freight charges, they were entitled to much more than 1s 9d for fruit which was being sold at 10s in the wholesale markets overseas.

In 1926 a report of the Imperial Economic Committee recommended that the Government and the producers should study the Californian Fruit Exchange, which is based upon binding contracts between the grower and his co-operative association. It also recommended that the New Zealand form of statutory control over exported fruit should be considered. As a result, the Jamaica Producers' Association was formed, with the main object of consolidating the producers of Jamaica into one body for joint protection and co-operative action. On the advice of the Horace Plunkett Foundation the Jamaica Producers' Association set up separate marketing organisations to deal with specific products. The most important of these was the Banana Producers' Association, formed in 1929.

The first need was to ensure sufficient supplies to allow the new co-operative marketing association to operate economically. Growers were invited to enter into a seven-year contract to market their bananas through the Association. The main clauses of the contract were

- (a) An initial price of 2s per bunch (1c more than the average for several preceding years) to be paid to the growers on delivery. The net surplus out of the joint marketing operations to be returned to the growers as dividends *pro rata* to their supplies at periods of one, three and twelve months.
- (b) Contracting members to buy shares of 1d in the Association.
- (c) Voting powers at the Annual General Meeting to be exercised by members on the basis of one vote for the first 100 bunches, and an additional vote for every subsequent 200 bunches delivered by the member in the previous year.

This contract was signed by more than 7,000 growers with an estimated supply of about 8,000,000 bunches of bananas.

Laws were passed providing stringent penalties for breaking contracts with the Association, to extend to any third party instrumental in breaking such contracts, and also for the binding of contractors and their land to the Association by guaranteeing its debentures to the extent of £200,000, to enable it to establish a direct fruit-shipping line, and build up its marketing organisation.

The available capital was insufficient for the purchase of a fleet large enough to establish a regular shipping service. Alternative banana supplies in case of a shortage brought about through hurricanes or disease were lacking. There was no access to the United States market, although provision could be made for marketing in Great Britain, Europe and Canada. To overcome these obstacles, the Association entered into a working agreement with the Dio Giorgio Fruit Corporation, the sole survivor of the competitors of the United Fruit Company.

Dio Giorgio and the Producers' Association invested equal amounts in establishing the "Direct Fruit Line" of refrigerated steamships. Both concerns, private and co-operative, shared equally the appointment of directors and allocation of shipping space. Dio Giorgio assumed liability for the shipping space of the Association in the event of a shortage of fruit in Jamaica and for shipping and marketing in the United States.

From its inception the Jamaica Banana Producers' Association had to face every kind of opposition. On the eve of beginning operations, shortly after outside prices had sunk as low as 9d per bunch, the estates of the largest planter on the island were sold to the United Fruit Company. This planter had been considering participation in the Association, but the United Fruit Company was now canvassing the island for contracts at fabulously high prices compared with those growers had been receiving. This was only one instance of the rivalry with which the Association had to contend. In spite of it, the Association flourished in its earlier years and membership increased until about 15,000 growers—most of them small producers—had contracts with the Association.

Growth in membership was not a solution of the difficulties. The rise in outside "prices" to a figure well above the initial price of 2s per bunch, to which the Association was limited by the terms of its contract, resulted in wholesale diversion of fruit from the Association to the United Fruit Company and its associated concerns. Even the reasonable certainty of dividends being forthcoming to members later in the year did not deter them from diverting their fruit. The share of the Association in the total output of bananas fell from 34.2 per cent in 1931 to 19.6 per cent in 1934, although neither number of the members nor acreage had fallen. Shortage of supplies was the main and increasing difficulty of the Jamaica Banana Producers' Association throughout its existence. This shortage led to increased transport costs, as the Association's steamships were compelled to sail only partly loaded. The Association



was also unable to fulfil some of its contracts and so lost customers. The increased costs reduced the dividends, which did not therefore augment the initial price of 2s sufficiently to compete with the high cash prices being offered by the United Fruit Company and its associates with their superior financial resources. A full-scale "banana war" was entered upon. Disloyal members had every temptation to sell "over the fence". On top of this, three successive years of hurricanes and storm damage combined to deplete supplies still further and to create a crisis.

A Commission was appointed by the Colonial Office to investigate the situation and its report on the Jamaica banana industry is a document of first-class importance.<sup>1</sup>

The Association claimed before this Commission that its operations had been of benefit to the industry and the island on the following grounds:

- (1) Welfare of the small producer
- (2) Introduction of the co-operative idea to the people of Jamaica
- (3) Safeguarding of prices to the producer
- (4) Protection against the domination of foreign companies inside Jamaica
- (5) Value to Jamaica of direct steamship communication under British control with the United Kingdom

Broadly speaking, the report justified all these claims. The Commission found that the intentions of the Association, as well as its legal provisions, were genuinely co-operative, but that the local District Associations, which should have been the democratic foundation of the Association, had been little developed and had lost an opportunity of fulfilling useful social and educational functions. Lack of experience in co-operative marketing, and failure to appreciate the need for educating members, had led to a centralised organisation run by officials from headquarters on the lines of a commercial concern. The interest and loyalty of members had not been sufficiently aroused, and lacking real support by the small growers the Association had never become truly co-operative in practice. The conclusions of the Commission were that the Association was doing valuable work. To secure for it a prominent share in the banana output the Commission requested the United Fruit Company to come to a voluntary working agreement with the Association, whereby the latter would withdraw from the United States and Canadian markets, would sell in England in co-operation

<sup>1</sup> *Report of the Jamaica Banana Commission, 1936* (Jamaica, 1936)

with Elder & Fyffes, and restrict its shipments to specified minimum quantities to Great Britain and Europe—the United Fruit Company to make up any shortage of supplies in the Association's minimum requirements

*The United Fruit Company refused absolutely to have any dealings with a Co-operative Society*<sup>1</sup> The condition in the working of the Association that the United Fruit Company would not agree to was that the Association paid dividends to the small producers on the basis of their supplies, and not on the basis of share capital (the basic condition of a co-operative venture)

The Commission thereupon recommended that the Association be transformed into a private trading company This was accepted and passed into law Thus ended one of the most serious and well-intentioned efforts made in the Colonies to raise the standard of living through co-operative self-help

There are to-day a few voluntary bodies in the West Indies concerned with the spread of co-operative knowledge An interesting example of these is Jamaica Welfare Limited This body was created in 1937 with funds donated by the United Fruit Company and the Standard Fruit and Shipping Corporation, the very concern which refused to have any dealings with a co-operative society representing 15,000 peasant producers The object of Jamaica Welfare is, as set out in its syllabus of activities "the uplift of the agricultural peasantry and working classes in the island" Up to the present Jamaica Welfare has not attempted to enter into trade, but has mainly concentrated on rural community centres, the organisation of 4H Clubs,<sup>2</sup> education and activities of the "better living" rather than of the economic type It has sent two Jamaicans to Europe to be trained for co-operative work in rural communities, and as a result of its efforts a Farmers' Co-operative Land Settlement was started at Lucky Hill, St Mary, in 1941, to provide employment for people in agricultural pursuits and to serve as a model of collective farming and practical co-operation This centre is closely linked with the Government policy of land settlement

<sup>1</sup> In 1904 the United Fruit Company had boycotted an embryo co-operative body, the St Catherine's Fruit Trust, which comprised a combination of growers handling about 2½ million bunches of bananas

<sup>2</sup> The 4H Clubs Movement is of American origin, and aims at improvement of farm and home life by the aid of boys and girls The name is derived from the Club pledge, which reads "I pledge my Head to clearer thinking, my Heart to greater loyalty, my Hands to larger service and my Health to better living, for my club, my community and my country" A scheme for the training of 4H organisers has been favourably received by local governments

More recently a "Barbados Welfare" and "Trinidad Welfare," working on similar lines, have been founded, and other voluntary and advisory bodies have interested themselves in the spread of the movement, but a more fundamental approach to co-operative development, education and leadership is required. *The encouragement of a dynamic co-operative movement should not be based on efforts only made possible by the generosity of private enterprise.* What is clearly needed at once is the establishment of Government Co-operative Departments, on the lines already followed by the Nigerian and other colonial governments.

Such Co-operative Departments would be faced with three immediate tasks—defensive organisation, constructive development, and education, all to be tackled simultaneously.

#### (1) *Defensive Organisations*

The small West Indian producers are, in certain industries, isolated in face of the power of monopoly and exploitation possessed by private interests. Urgent defensive action against this power is required. An example is afforded by the rice industry of British Guiana, where the growers are mainly small producers. All the rice mills in that Colony are privately owned. Although fiercely competitive they are small and inefficient, and the peasant growers are heavily in debt either to their landlords, the merchants, or the millers. The erection of large Government mills is an urgent necessity, and is now under consideration.

Government processing factories are not, however, sufficient. The growers need immediate co-operative organisation for their short-term credit requirements, for purchasing seeds and tools, and for collection and marketing of their crops. The Government scientific departments, concerned with improved methods of cultivation and with irrigation and land-drainage schemes, which are "prerequisites to the better development of this area,"<sup>1</sup> could reach the growers most effectively through co-operative associations.

Land settlement may be classified under this head of "defensive organisations." Three conditions must be observed if the policy of establishing groups of small holdings as a palliative to agrarian discontent, and urban unemployment and overcrowding, is not to fail. There must be first a proper system of co-operative buying and selling to ensure a reasonable standard of living, second, adequate training, supervision and education of settlers in the principles of co-operative effort, third, a sound land-tenure system.

<sup>1</sup> Stockdale Report, *op cit*, p. 40

to prevent both the excessive subdivision and the fragmentation of holdings, and to encourage settlers to improve their land and methods of cultivation. The importance of studying the successful small-holdings policy of Denmark and the large-scale community experiments among Jewish settlements in Palestine cannot be over-emphasised, if land settlement is to become established as a permanent measure in the West Indies.

It is, however, to be hoped that the more constructive measures outlined below will eventually replace the purely defensive aspects of co-operative policy.

## *(2) Constructive Organisations*

(a) *Dairying*—Much attention has been drawn to the need for fresh milk and dairy supplies in meeting the immediate nutritional requirements of the people. The success of co-operative dairy methods in many parts of the world is too well known to require further elaboration. Co-operative creameries, butter factories, pasteurising and bottling plants, cheese factories, are all essential processes which can most successfully be developed by farmers themselves.

A factory for manufacturing condensed milk has already been established under private ownership in Jamaica, but controlled prices are paid. It is essential to ensure that producers receive a fair price for their surplus milk supplies in any further extension of this type. This can be done either by controlled prices by representation of their co-operative interests in the management, or by a share of the profits. A prosperous dairying industry would in turn present greater opportunities for the sale of cattle cake and food, which are essential by-products of the co-operative cotton ginneries. Co-operative dairying societies have always been especially receptive to improved methods advised by Government research and experimental farms, Departments of Agriculture, and Livestock Associations.

In other fields of activity, it is only necessary to quote existing examples of co-operative initiative, developed by West Indian producers without active encouragement, to realise the extent to which progress could be made under a planned development policy.

(b) *Citrus Fruits*—In Trinidad the Co-operative Citrus Growers' Association was founded in 1931, and by 1936 was handling over 60,000 crates of grapefruit and over 3,000 crates of oranges. A canning plant was installed in 1936 with the assistance of a Govern-

ment loan. The Tobago Lime Growers' Co-operative Association was formed in 1930, and with Government financial assistance, and funds subscribed by the members, a lime factory equipped with crushing and distilling plant was opened, handling about 4,000 barrels per year. In Trinidad and St. Lucia growers have formed a company to market lime oils co-operatively, and are endeavouring to bring other West Indian lime oil producers into a central marketing organisation. Elsewhere the trade is in the hands of private traders.

(c) *Pineapples*—An Association of Peasants formed in 1926 to supply sugar-cane to the Antigua Central Sugar Factory, on the same terms as the plantations, also undertook co-operative selling of pineapples in the local market. No particulars are available as to the subsequent history of this co-operative experiment, or whether it is still in existence.

(d) *Cocoa*—Cocoa requires to be fermented between picking and export. Plantations can do this on a sufficiently large scale for themselves, but the small amounts grown by the peasants are most economically fermented after bulking. In Trinidad two Government fermentaries assist the small producer, and in Tobago there are five co-operative fermentaries. More co-operative fermentaries are required, especially in Grenada, Trinidad, St. Lucia and Jamaica. The fermented crop is exported by plantations direct, or else by merchants. Large Trinidad estate-owners market co-operatively through their Cocoa Planters' Association, which comprised 276 estates in 1936, but there is no co-operative marketing among small producers. In Tobago, where the majority of small producers are dependent on the cocoa crop, there has been much distress due to low prices and heavy indebtedness.

(e) *Coconuts and Copra*—Growing coconuts and preparation of copra is in the hands both of plantations and small producers. The word "co-operative" is so often used to denote joint action by plantation-owners that the more obvious need for co-operative effort by the small growers is often overlooked. For example, in Jamaica and Trinidad it is often stated that a large proportion of the export is undertaken by co-operative Coconut Growers' Associations, who have also erected factories for the manufacture of edible oils and copra by-products, such as soap. But it is extremely doubtful if these advantages apply to the peasant producer. The domination of the local market by these so-called "co-operative" edible oil and soap factories, which are heavily protected by tariffs, simply results in a transfer of income from the consumer to the

grower, and it is hardly likely that the grower includes the small producer, who is most in need of remunerative prices for his products. It is stated in the Stockdale Report that "the local coconut producers are being assisted towards co-operation for the distribution and processing of copra and its products"<sup>1</sup>. The question inevitably arises, who is providing this assistance? This work could only properly be undertaken by a separate Co-operative Department and Staff.

(f) *Miscellaneous*—There would also appear to be considerable scope for constructive new enterprises on a co-operative basis in the rehabilitation of the coffee industry in Jamaica, the growing of tobacco in Dominica, where the conditions are stated to be favourable, the cultivation of vegetables, tomatoes, derris, pyrethrum, and the further processing, canning or treatment of these products. In some countries co-operative abattoirs have been highly successful, and there is no reason for supposing that similar results could not be achieved in the West Indies. Fisheries present a wide field for future co-operative effort.

(g) *Credit*—Regularisation of the credit position throughout the West Indies is an essential need. Although small producers in the West Indies are generally not heavily in debt, as in the Asiatic Colonies nevertheless the credit position is highly unsatisfactory. There is special need for credit facilities for rice growers, as the crop is concentrated into a short period. Many rice growers in British Guiana have fallen heavily into debt for this reason. There is a similar need in the case of sugar-cane growers who reap only once a year and grow comparatively little of their own food.

Large growers are very much better placed in this regard than small, and the disparity of treatment between these two classes is illustrated by the case of the Barbados Sugar Industry Bank. Out of some £100 000 allotted to Barbados by the British Government, a State-owned Sugar Industry Bank was established to make loans to owners of sugar plantations for the cultivation of their estates. Interest was eventually reduced to 5 per cent, and the Bank has been an unqualified success as far as big planters are concerned. It would not advance loans to small landowners, and they could only borrow from sugar-factory owners, who were then in a position to oblige the small grower to sell his cane to them.<sup>2</sup>

<sup>1</sup> P. 39.

<sup>2</sup> In 1937 the Barbados Government started a Peasants' Loan Bank which makes a number of small advances. It does not, however, cope with all the short term requirements of the peasants.

The need for short-term credit for productive purposes can, in general, only be met by co-operative credit societies, if tying of crops or usury is to be avoided. No central banking system could cope with the innumerable small loans required. Agricultural credit societies have made some progress in Jamaica, Trinidad and British Guiana. In Jamaica they have been associated in land settlement schemes, and have bought over 15,000 acres of land for small holdings with money lent by the Government. There are no such societies in Barbados, Grenada, Dominica, British Honduras, or the Leeward Islands.

(h) *Consumers' Societies*—The need for consumers' co-operative societies is frequently given unconscious recognition in official documents. For example, the Report of the Agricultural Policy Committee of Trinidad and Tobago states that "It must be recognised that peasant indebtedness is a serious problem in the Colony as in many other countries, chronic indebtedness to shopkeepers is possibly the greatest weakness of small-scale agriculture in the tropics"<sup>1</sup>. The Report then goes on to suggest measures which must be taken to remedy this condition, but does not include in its recommendations the necessity for co-operative retail shops to provide efficient services to consumers at reasonable prices. Such organisations of consumers are essential if the consumer is to be represented with the producer on commodity and price control banks. They are also needed to educate the consumer in wise spending, dietary reforms necessary to achieve better standards of nutrition, in promoting thrift, and in attacking the harmful but universal practice of mortgaging future earnings by buying immediate consumption goods on credit.

There are as yet very few consumers' societies throughout the West Indies.

### (3) *Education*

Educational advance must accompany any programme of co-operative development. The practical experience and knowledge gained by members in handling their affairs in their mutual interest are of inestimable value. This is not sufficient for the more backward sections of the community. For them there is also need for extensive adult education in order to develop conceptions of self-help and group loyalty. Through such educational movements, natural leaders emerge from the ranks of the people to take their part in the management and leadership of the movement. The educational

<sup>1</sup> Pp 40-41

value of the few West Indian Agricultural Societies now existing, especially the outstanding society in Jamaica, needs to be emphasised. These societies are in effect educational associations, where peasants meet to hear lectures and discuss farming technique. The folk-schools of Denmark might also provide an excellent example for the West Indies. The germ of this idea, although not at present concerned with adults, is to be found in the development of the Glen School in St. Vincent as a 'school within a farm'. The Danes, and more recently the Chinese, have found it of the utmost value to encourage farmers to spend a small period of their lives at a people's farm school. The week-end schools organised by the Department of Co-operation in Ceylon have resulted in successful societies being started.

If, as Government policy, co-operative associations are to be more widely adopted in the West Indies, the need for a preliminary groundwork of education in co-operative principles and practice prior to the formation of societies is an obvious necessity. This instruction can only properly be given by persons specially trained in the science and technique of Co-operation, and this fact has been emphasised repeatedly in many Colonies by failures due to lack of proper guidance. A fully trained Registrar with adequate staff in a separate Co-operative Department which is not subordinate to any one particular Department, such as the Agricultural Department, but directly to the Governor or other Chief Administrative Officer is essential.<sup>1</sup>

### *Conclusion*

The future prosperity of the West Indies depends, inevitably, on the fullest development of agriculture. Apart from mineral oil and bauxite they possess no great mineral resources, and while secondary industries open up many attractive prospects, agriculture is likely to remain for many years the basis of West Indian economics. The essential lines of development are therefore to improve the standards and extend the scope of peasant cultivation. Secondary industries,

<sup>1</sup> The danger of repeating past mistakes is revealed in the 1943 Agricultural Policy Committee Report for Trinidad and Tobago. The Report makes an excellent summary of the vital part that co-operative marketing and processing societies, co-operative credit and thrift societies, co-operative farming and settlements, etc., can play in a policy of planned agricultural reconstruction. In its recommendations, however, the Co-operative Registrar is to be subservient to the Director of Agriculture. Although this may be necessary in some of the smaller colonial units, such as certain of the West Indies, it is bad as a general principle. Even where it is wiser to keep co-operation under the Agricultural Department there should always be specialised staff for this particular work.



as the Colonial Secretary stated recently in Parliament, must be of such a character as to find markets in the islands themselves, or be connected with the staple products of the Colonies <sup>1</sup>

The principal causes of the unrest prevailing to-day in the West Indies are unemployment, inadequate social standards and unremunerative prices for agricultural produce. The co-operative movement is at once an instrument by which the mass of small producers can obtain a fair price for their crops, a means by which scientific departments of Government can reach the people, and a powerful force for social progress and education in self-help and responsibility. The present deplorable conditions reflect the low standards of co-operative development in the West Indies. Among the peasants and small producers this is indeed negligible. There are no official Departments of Co-operation, and no official policy concerned with the encouragement of co-operative enterprise among small producers in any of the West Indian Colonies.

Of the United Kingdom money already approved or under consideration for expenditure under the Colonial Development and Welfare Act of 1940, not one penny has, so far, been specially earmarked for this great social instrument of reform. The only possible exception is the negative policy of land settlements which have been officially described as a "palliative" against agrarian discontent.

## Chapter V

### BRITISH WEST AFRICA

THE four British West African Colonies (Nigeria, Gold Coast, Sierra Leone, Gambia) are particularly good examples of dependencies in need of a planned economic policy. Apart from a few plantation concerns operating in Nigeria and the Cameroons, production is in the hands of the peasant farmer. He works as an individual, but there is communal or tribal ownership of land, and land cannot be alienated. In vast areas subsistence crops only are cultivated (cassava, yams, rice), and there is little mixed farming owing to the tsetse-fly preventing the rearing of cattle in many regions. Much production is of crops not cultivated, but individually collected—such as palm produce.

Export crops, produced by peasants, provide therefore the basis

<sup>1</sup> Colonel Oliver Stanley in the House of Commons, 16th March 1943

of West Africa's cash economy. The following table sets out the value of the principal small products exported in 1932.

	Ghana		Sierra Leone		Total
	Exports	Imports	Exports	Imports	
Cocoa	£ 127	£ 121			£ 248
Palm products	111	50	121		£ 282
Groundnuts	111			17	£ 253
Cotton products	7				£ 7
Rubber	136				£ 136
Kola nuts					10 <sup>1</sup>

The difficult position of territories dependent on the export of one or two crops is summed up by Professor Humeck:

"It is the nations most badly and unadvisedly which are the first to be brought under the harrow. Throughout the fourth decade of the twentieth century producers of raw materials had begun to understand that the world of hope to which they had been accustomed was collapsing round them. The causes of their plight are various. Revolutions in agricultural technique and the competition of new producing areas have multiplied supply, while at the same time the declining of population growth in the old consuming centres and the lack of purchasing power in centres of new potential consumption have prevented a corresponding increase of demand. The policy of Governments did not create these maladjustments. But neither did it make any serious attempt to correct them."<sup>1</sup>

In the Gold Coast, where the tendency towards specialisation is most clearly marked, cocoa accounted for 98 per cent of the agricultural exports in 1938. The effect of this concentration upon the agricultural economy of the Gold Coast is shown in the following table.<sup>2</sup>

*Gold Coast Exports (excluding cocoa)*

	Value 1910-12	Value 1936-38
Kola nuts	£ 102,000	£ 5,000
Copra	13,000	20,000
Timber	172,000	103,000
Palm kernels	105,000	51,000
Palm oil	131,000	9,000
Rubber	219,000	29,000
	<u>£ 859,000</u>	<u>£ 251,000</u>

<sup>1</sup> Vide *Survey of British Commonwealth Affairs* vol. II, 'Problems of Economic Policy, 1918-1939' Part II, p. 319.

<sup>2</sup> Hinde, *Plan for Africa*, op. cit. p. 156.

Even allowing for the fall in world prices it is clear that other crops have been sacrificed to cocoa production. The dangers of this position,<sup>1</sup> coupled with the dominance of a few large European buying combines, were brought to notice by the disastrous cocoa hold-up of 1937-38. This threw into clear relief the need for a co-operative marketing system actively sponsored by the colonial governments. It also revealed the evil effects of such excessive specialisation on the nutritional standards of the Natives.<sup>2</sup> It is reported that the high prices of cocoa ruling in 1936-37 led to a real shortage of necessary foodstuffs in the Colonies in the subsequent season, all effort having been concentrated on cocoa. Broadly speaking, the diet is deficient in those animal and vegetable foodstuffs which provide fat, good protein, vitamins and mineral matter. The Nutrition Report of 1939 made proposals for improving serious malnutrition, including the introduction of permanent systems of mixed farming, and special measures to stimulate the production of meat, milk, fish, fruit and rice. These proposals, together with a fuller development of the existing natural resources of West Africa, provide a sound basis for future co-operative enterprise among the indigenous peoples.

### *Nigeria*

This Colony, containing about a third of the entire British colonial population, has had the advantage of what was for practical purposes a separate Co-operative Department, Registrar and staff since 1936. Prior to that the Department of Agriculture had encouraged co-operative cocoa sales societies and collective fermentaries among the producers, and this Department remained in charge of the co-operative cocoa societies in the Cameroons until the Co-operative Department, which acquired formal status on 1st April 1943, took them over about three years ago. They were found then to be in an unsatisfactory state.

The bulk of Nigeria's export crops—palm products, cocoa, groundnuts and cotton—is bought indirectly from the farmers by strongly established European firms operating through a complicated system of African agents and sub-agents or through the medium of African and Syrian middlemen. With one or two exceptions, buying is not confined to recognised centres, and the buying chain

<sup>1</sup> It should also be remembered that there are no alternative crops in the event of present cocoa diseases proving fatal.

<sup>2</sup> *Report of Economic Advisory Council on Nutrition in the Colonial Empire, 1939* (Cmd 6051), Part II, pp 35-38.

between the isolated bush farmers and the final exporters is often long and complicated. This system has led the farmers into serious indebtedness and has had the evil effect of sapping their interest in the quality and preparation of their products.

Co-operation in Nigeria was at first primarily concerned with cocoa-marketing. The Registrar was instructed to start by consolidating and expanding the existing cocoa-marketing organisations. His staff was so limited that he had to restrict himself to this sphere of action. By 1938 good progress had been made in this direction and the junior staff had been augmented, and so attention could be turned to Thrift and Credit. Salary-earners' Thrift and Loan Societies designed to suit the staffs of Government and Mercantile firms, had three objects:

- (a) the relief of indebtedness, which was serious amongst salary-earners,
- (b) the accumulation of capital necessary for co-operative development, and
- (c) the instruction of the more educated elements in co-operative method, so that African leaders of the movement would naturally evolve.

A type of Thrift and Credit Society of limited liability was designed to suit the peasants, who had no security of land tenure or title to land, which would justify unlimited liability.

Both these societies proved popular and their development has steadily overhauled the cocoa-marketing. The capital amassed has proved invaluable to those marketing societies which have exported cocoa. In March 1943 there were 107 Salary-earners' Societies, with savings of approximately £54,000 and 37 Thrift and Credit Societies, which had their own funds amounting to £900. Exact figures are not available after that date, but the Salary-earners' Societies by March 1944 had increased to about 180 and their savings to £94,000. Experiments have also been made with one Citrus Fruit and Processing Society, a Co-operative Fishermen's Guild, three supply societies, one women's palm-kernel-marketing society, and two village school societies.

The development of co-operative marketing of cocoa in Nigeria and the Cameroons has been as follows (see table opposite). In spite of the steady progress which this table reveals it is important to note that, even in 1943, co-operative marketing represents only about 10 per cent. of the total Nigerian crop.

Under the guidance of the Co-operative Department many of

Year	Members	Tons of Cocoa	Total Receipts in £
1930-31	1,494	551	
1931-32	1,710	724	
1932-33	2,548	1,289	20,277
1933-34	4,877	1,608	19,113
1935-36	6,277	2,189	34,908
1936-37	6,509	3,698	158,240
1938-39	9,348	1,156	71,131
1942-43	12,738	11,735	

the societies have reached a genuine co-operative standard and are entirely self-supporting. Not only have they their own stores, weighing machines and other equipment, and pay their own secretaries and labourers, but they have also regularised the credit position of their members, granting loans on the security of the borrower's cocoa crop at an interest rate of 15 per cent. This compares with the 100 per cent interest in kind normally payable to outside produce buyers or middlemen. Loans are made from the societies' own capital. Capital has been accumulated from share payments of 5s per member, from annual subscriptions of 1s per member and from a commission of 6d per cwt on sales. In theory, the annual subscriptions and the sales commission cover only the normal overhead expenses, but in well-established societies, with a large membership and turnover, they result in a profit, which has hitherto been carried to capital. Distribution of net surplus to the members is not encouraged until the societies are strong enough to meet all the loans for productive purposes required by their members.

Prior to 1936-37 the average cocoa price was £16 per ton. In 1936-37 it soared to over £50 per ton. In March 1937 it fell to £40, and then dropped steadily until it reached £13 at Christmas 1937. This violent price fluctuation created hardship and confusion in Nigeria and the Gold Coast. It was against this background of economic confusion that the Buying Agreement between most of the large European firms purchasing cocoa in the two Colonies was concluded in the autumn of 1937. The English and Scottish Joint Co-operative Wholesale Society Limited and two other firms stood aside from this Agreement, but the firms included were responsible for the purchase of over 90 per cent of the total Nigerian and Gold Coast cocoa crops. The main objects of the Buying Agreement were payment of a fixed "limit" price by all members, based on

prevailing world prices, less profits and overhead charges, and division of the total purchases among the member firms proportionately to their previous trade, thus removing the element of competition and rivalry.

The announcement of the Buying Agreement at a time of rapidly falling prices led to an outcry among producers and middlemen. The West African Press stigmatised the Agreement as a "pool" designed to achieve a monopoly in the cocoa trade and to exploit the producers. Reactions were rather different in Nigeria and the Gold Coast. In Nigeria, although resentment was strongly expressed, the cocoa crop was marketed as usual. But on the Gold Coast opposition was more violent. A disastrous hold-up of cocoa was instituted in November 1937, accompanied by burning of crops and boycott of certain European goods.

As a result of this agitation the West African Cocoa Marketing Commission was appointed in February 1938. It put forward the following recommendations regarding Nigeria:

- (1) The Buying Agreement should be withdrawn.
- (2) Government should wholeheartedly promote co-operation as the best means of marketing the farmers' cocoa.
- (3) A Cocoa Export Agency should be formed with membership confined to co-operative organisations, to enable farmers to prove in practice the advantages or disadvantages of dealing direct with brokers or manufacturers in consuming countries, as an alternative to selling to firms on the Coast.

The Commission stated that the best method of meeting the needs of the Nigerian situation would be through extension of existing co-operative societies to cover the whole or at least the greater part of the annual production. Official evidence showed that the majority of cocoa farmers were ready for co-operation. The claim was made that *it would be possible within five years, provided the staff of the Nigerian Co-operative Department was considerably increased, to develop the movement sufficiently to deal with 30,000 tons, or about one-third of the crop.*

The Commission, while envisaging that the bulk of co-operative sales would normally continue to be made to firms and buyers established in Nigeria, emphasised the importance of providing an alternative co-operative channel for use in need. Exports could be made through such a channel, which would have considerable psychological importance, since Nigerian producers, like those on the Gold Coast, lay much stress on having direct access to world markets. The proposed Cocoa Export Agency would provide this

channel<sup>1</sup> The Commission saw no reason why the large buying firms should not give positive support to the transformation of the present marketing system to one in which co-operative societies of producers undertook all the functions formerly performed by middlemen Strenuous opposition by the middlemen, themselves well organised, was, however, to be expected The Commission also recommended the introduction of thrift and credit societies independent of the marketing societies, and that co-operative education and propaganda should be developed by the Government Up to the present, the principal recommendations of the Commission appear to have been put into "suspense"

At present the small farmers, both in Nigeria and the Gold Coast, ferment their cocoa themselves, and the standard of preparation generally is low The co-operative societies usually receive the cocoa after it has been fermented, grade it and sell direct to the exporters They complain, however, that they do not get an adequate differential for quality cocoa, partly because middlemen have brought pressure to bear on exporters to discourage the co-operative societies An important feature of co-operative associations is the constant urge to improve the quality of the products marketed, and it is of first importance to ensure a fair return to the producers for such improved-quality cocoa

In 1933 Professor Shephard<sup>2</sup> stressed the need for co-operative fermenting in central processing societies in order to raise the standard of preparation For many years this policy was followed in the Cameroons, where the excessive rainfall made the preparation of good-quality dry cocoa very difficult for individuals Since that time farmers have developed the ability to produce cocoa of excellent quality, if the demand justifies it In 1933 an attractive premium was offered to quality, but now a mere 10s to £1 per ton does not repay the extra time and loss of weight involved In spite of this, co-operative societies still try to maintain a good quality They wish to establish a mark in the world's markets to ensure the best disposal of their cocoa in post-war conditions

Nigeria's largest money crop is not cocoa, but palm products For half a century the European buying firms have had price-fixing agreements for these, though their effectiveness was lessened in the

<sup>1</sup> An interesting comparison is provided by Overseas Farmers Co-operative Federations Limited This represents a federation of co-operative marketing organisations in many of the Dominions, and provides for them the dual service of marketing their products in Britain and purchasing their requirements Under war conditions it was chosen by the Australian Government to act jointly in the marketing of the Australian wheat crop

<sup>2</sup> *Report on the Economics of Peasant Agriculture in the Gold Coast* Op cit

immediate pre-war period by the increasing competition of Syrian middlemen. No attempt has been made by Government to protect growers against the consequences of these monopolistic agreements. Pending the development of effective co-operative marketing and processing societies, a proper price-control system is needed for the defence of small producers.

The economics of palm-products processing and marketing are intricate and very difficult to understand. The use of small machines is not economically sound unless the shortage of fruit and high price make the 15 per cent more palm oil obtainable sufficiently valuable to justify the extra expense. In the old-fashioned method of hand-pressing the cost of labour is not counted, but as soon as a new method with machines is introduced labour expects to be paid at Government rates. Ten experimental societies owning palm presses started with every prospect of success. It was found that these societies had to charge 6d per 4-gallon tin to cover their running costs. If the women were not working on palm products they had no alternative occupation. Also the societies cut across the time-honoured custom whereby the women received the palm kernels for their work. In many places palm kernels are used as small currency and with them women buy cheap things like peppers, salt, ingredients for soup, etc. Without them a woman would find it difficult, if not impossible, to keep house and produce meals. The societies failed. Further development and alternative occupations for women are essential before co-operative processing societies can succeed in this field. In marketing the competition is so keen that middlemen work on incredibly small margins. Many of them rely more on moneylending and retail trade for their profits. Societies found that they could not charge a large enough commission to cover their running costs, particularly when prices were low.

There appear, also, to be some prospects for co-operative cotton ginneries. The existing ginneries are in private hands and pay uncontrolled prices. The further development of co-operative ginneries, not only for separating the lint, but also for crushing the cotton seed, extracting and selling the oil, and converting the residue into cattle cake or fertiliser for return to the producers, is a possible step in West African economic progress. (The British Cotton Growing Association is now working with the Government in connection with the future of the crop and interesting developments may be expected.)

Most of these small-produced cash crops will have, increasingly, to face the rivalry of more efficient large-scale plantation production,



energetic members they try to leave it to the co-operative staff. In the majority of societies general meetings are seldom held, and even then it is difficult to get a quorum. Until there is a better spirit, and until the African realises that he cannot develop his country without a real effort on his own part, the more difficult forms of co-operative society must be introduced with caution, and then only after thorough preparation.

The educational advance, experience and contacts with other countries which will be brought back after demobilisation by the thousands of Nigerians who have volunteered to serve in the present war should provide an invaluable aid to the development in Nigeria of new co-operative enterprises, such as land settlement and co-operative farming societies, consumers', artisans', and industrial co-operatives. The increasing appeal of co-operation to the minds and ideals of educated Nigerians is evidenced by the fine types of men who are being attracted to the movement as co-operative secretaries at an annual salary varying from £12 to £60 a year, a considerable financial sacrifice to what they would earn in the towns. The honesty and integrity of these men, whose duties involve handling hundreds of pounds sterling, is beyond praise.

### *Gold Coast*

Until 1st May 1944, when the Department of Co-operation was first established, the Gold Coast had no separate Co-operative Department, as had Nigeria. The movement was supervised by officers of the Department of Agriculture with the Director or other official of his Department acting as Registrar.

The earliest experiments in co-operation were made in 1929. The progress of the movement is indicated in the table opposite.

Of these societies, cocoa producers' co-operative societies form an overwhelming majority. Forty years ago cocoa farming had not begun in the Gold Coast, to-day it dominates the Colony's economy. In 1937, 98 per cent of the value of all agricultural exports of the Colony was covered by cocoa and cocoa represented 63 per cent of its total exports. Before the outbreak of war the Gold Coast was supplying two-fifths of the world's cocoa requirements. Yet the industry began and has remained in the hands of small independent Native farmers. Of the 419 societies existing in 1938, not less than 385 were concerned with the cocoa industry<sup>1</sup>. It has presented an excellent field for the growth of co-operative enterprise.

<sup>1</sup> Many of them were not very successful, did not actually handle the cocoa, and engaged only in limited credit functions.

Year	No of Societies	Membership	Paid-up Share Capital
1930	31	946	£1,329
1931	116	2,176	1,708
1932	275	5,137	3,733
1933	395	8,233	6,176
1934	423	9,135	8,015
1935	432	9,426	10,252
1936	420	9,284	14,591
1937	427	10,808	26,861
1938	419	11,155	29,042
1944	250 <sup>1</sup>	7,021	25,608

There were also nine copra-producing societies with 505 members, four citrus producers' societies with 460 members, 18 banana producers' societies with 288 members, one coffee producers' society with 72 members, and two separate thrift and loan societies<sup>2</sup>

The cocoa producers' societies are essentially small local organisations with an average membership of 24. During 1936-37 these societies marketed 7,807 tons of their members' cocoa, the highest figure so far achieved, and its value in a year of exceptionally high prices was £318,000. Even so, it represented only 2.6 per cent of the total Gold Coast crop. For the first few years of their existence the societies sold to merchants independently, but later several Central Societies were formed for collective selling on behalf of the individual societies. The new Department of Co-operation is persuading these small societies to amalgamate into larger units with a turnover sufficient to make them economically sound business concerns.

The fact that the societies were not getting an adequate price differential for the improved quality of their cocoa, resulting from

<sup>1</sup> The decline during the war years was due to two factors. First, controlled prices gave the co-operative farmers very small direct financial advantages over their brother-farmers. Second the members did not have much loyalty to their societies, which they regarded as Government-managed concerns. The policy which led to this belief is outlined in the following paragraphs.

<sup>2</sup> Later figures, for 1943 are: 23 Fruit Primary Societies with 438 members and a capital of £855, 16 Food Crop and Vegetable Societies with 751 members and capital of £695. The latter marketed 1,200 tons of yams, 45 tons of groundnuts and vegetables valued at £2,674. There were 8 other agricultural societies with 782 members and capital of £1,798. They marketed 258 tons of copra, 35 tons of coffee and 386,232 citrus fruits. There is 1 Timber Co-operative Society with 50 members and capital of £1,767. There are 254 societies concerned with cocoa. They have 6,551 members and share capital of £21,578. These societies marketed 9,366 tons during 1942-43 and it is estimated that they will market 12,000 tons in 1944. The cocoa societies have deposits to the amount of £6,057.

grading, led them in 1938 to turn towards organising their own shipment of cocoa to the United Kingdom. Three trial shipments of fifty tons were made to a firm of brokers in London, with results which were not up to expectation. The farmers, who had expected large benefits, only received about threepence per load extra.

The Gold Coast cocoa co-operative societies have made little attempt at co-operative fermenting of their members' cocoa with a view to improving its quality. As in Nigeria, they rely solely on grading the cocoa fermented by individual farmers.

The Gold Coast administration has repeated the mistakes of other Colonies regarding co-operative development. The work was left to the Department of Agriculture instead of a separate Co-operative Department being set up with staff specially trained in the science of co-operation. This resulted in wrong methods being adopted in many instances. At first, equipment was lent to the societies, but it was then found that members tended to assume that as the Government supplied equipment, and undertook administration and clerical work, there was little need for them to assume responsibilities. The Department of Agriculture then insisted that, as a preliminary to any assistance being given, societies must have subscribed sufficient entrance fees and share capital to provide themselves with essential equipment. In 1934 a start towards "de-officialisation" was made, when societies were required to contribute half the cost of their secretaries' wages, or to prepare a member who would do the work in an honorary capacity. Two years later the societies accepted responsibility for full payment of this service. The next step should have been the delegation of the responsibilities of management to committees elected by members, a process not completed by 1944. The co-operative societies joined with the rest of the Gold Coast producers in the general hold-up of cocoa in 1937-38.

The Gold Coast co-operative movement has never really aimed at a true and voluntary co-operation,<sup>1</sup> and the absence of proper direction as compared with the Nigerian movement largely accounted for the widely different recommendations of the 1938 Commission concerning the future of the two movements.

The view of the Commission was that the existing Gold Coast societies did not at present offer an encouraging basis for future cocoa marketing, and it recommended that all cocoa producers should be associated on a statutory basis for marketing their produce—the producers to be organised in a system of about 500 local groups and six to ten regional groups. These groups would duplicate, on a

<sup>1</sup> See C. Y. Shephard *op cit*

larger scale, the function now performed by co-operative societies. The Commission stated, therefore, that

“Under these circumstances the continuance of the latter as marketing units would hardly be justified. Members might find some consolation in the knowledge that their societies had pointed the way to collective sale under a generally applied system. We consider, however, that the Gold Coast co-operative movement should concentrate in future on the vital functions of accepting deposits and providing credit, in which it has achieved a distinct success”<sup>1</sup>.

The Commission's recommendations regarding co-operative credit and co-operation generally were therefore as follows

- (i) That the Co-operative Societies should surrender their functions of cocoa marketing as the system of marketing by statutory associations of producers is developed
- (ii) That Government should adopt a definite policy of promoting co-operative thrift and credit societies
- (iii) That all Africans residing within the neighbourhood of a society should be considered eligible to become members, it might be desirable however to confine the issue of credit to farmers, while the deposit facilities should be available to all. Under these conditions the problem of indebtedness would be attacked from two directions: the farmer would not need to borrow from individuals with capital available and the latter would be encouraged to deposit their capital in safety at a low but assured rate of interest
- (iv) That special provisions should be made as regards loans for the redemption of mortgages. It is undesirable that small societies in which deposits must be available on demand should have a large part of their funds locked up in this way
- (v) That the societies should be federated in district unions and that district co-operative banks should be established to act as clearing-houses between local societies. The handling of mortgage credit might suitably be referred to such banks
- (vi) That a separate Department of Co-operation should be formed which should, however, work in close contact with the Department of Agriculture. The Registrar should have special knowledge of co-operative credit, and the staff should receive special training
- (vii) That the co-operative credit movement should be developed in harmony with the proposed marketing organisation, and the officers of the latter should assist in propaganda for co-operative credit. Societies should have the legal right to secure payment of overdue loans or interest from the Group to which a defaulting member is attached, out of money due to him for his cocoa. They should also be able to demand that a defaulter should be required to supply his cocoa direct to the Group

<sup>1</sup> Report, *op cit*, p. 168

## *Co-operation in the Colonies*

The recommendations of the Commission have not been carried out, and during the war years the whole West African cocoa crop has been purchased through the West African Produce Board, which replaced the Cocoa Control Board set up by the Colonial Office in 1940, on which neither the Nigerian nor the Gold Coast producers are represented. Assurances have been given that the profits of this Board will, in future, be used for the benefit of the producers.

The Gold Coast Co-operative Movement has been an example of over-emphasis on immediate gains by way of higher prices for produce, without an accompanying educational advance. Co-operative education was limited to annual courses for the training of secretaries in each province, extending, as a rule, over a period of fourteen days. In 1938, 122 African youths attended these courses, 50 of whom qualified for certificates of competency. Economic benefits, unaccompanied by stress on the principles of responsibility, thrift, self-help, prudent living, and acceptance of a majority vote may be a not unmixed blessing to people making their first contacts with the commercial world. This has been seen in a tendency to landlord absenteeism, in a reliance on labourers from the North for the actual hard work, in the neglect of farms when prices are very high or low, and in the avidity with which more fortunate farmers take the farms of those in debt.

The potential interest of Gold Coast Africans in the development of co-operation, and in education, is illustrated by their Annual Co-operative Conference. The 1938 Conference lasted three days, and was attended by over 500 people, many of whom had travelled long distances to represent their societies. The great desire of the African to achieve literacy and expand his education provides fertile ground for an adult educational movement, which might have the same ultimate success as the Danish folk-school movement.<sup>1</sup> If such an advance were possible, the compulsory association of producers recommended by the Commission might quickly achieve co-operative status with a high degree of efficiency.

Government rice mills already exist on the Gold Coast, and rice cultivation could be extensively developed on a co-operative basis, possibly by adopting the co-operative use of modern machinery among small growers. This has proved successful in Ceylon. The banana and citrus-fruit industries are recent developments on the

<sup>1</sup> There are already the beginnings of experiment in adult education, e.g. a promising night school at Kumasi on the Gold Coast. The Colonial Office Report on Mass Education for Africa is receiving wide attention.

Gold Coast, and co-operative societies of producers are being established, but are still on a small scale. There is, as yet, no co-operative production of meat and milk, and no consumer societies, but development on these lines is important and necessary. Co-operative societies for fishing and for copra preparation also present considerable scope for the future. There is a successful timber-producers co-operative in Ashanti.<sup>1</sup>

### *Sierra Leone*

This Colony, with a great diversity of natural resources, liggered several years behind Nigeria and the Gold Coast in its decision to adopt co-operation as a means of improving the conditions of its people. The principal exports of Sierra Leone are palm kernels and rice, but little attempt has so far been made to introduce co-operative methods in the marketing of these crops. We have already described<sup>2</sup> the dilatory procedure under which the Co-operative Society's Bill passed into law. Although this enables the Government to appoint a Registrar of Co-operative Societies and a staff, and to make regulations for the conduct of such societies, no appointments have as yet been made. The duties of Registrar, pending the training of a competent officer, are undertaken by the Director of Agriculture, and four officers have had some training in England. It has been stated that the Government wished to be sure of its ground and of the reactions of the people before any large-scale encouragement of co-operation was undertaken. In 1939 there were five small co-operative societies for the better production and marketing of rice, and these have been uniformly successful. The large-scale irrigation and drainage works which are to be undertaken in this Colony under loans from the Colonial Development and Welfare Fund, including the reclamation of large areas of swamp-land for rice cultivation, present a unique opportunity for co-operative development. In such projects full advantage should be taken wherever economically practical of scientific methods of cultivation, such as the collective use of modern machinery,

<sup>1</sup> Mention might be made of the work which is being done by the Gold Coast Agricultural and Commercial Society, a voluntary educational and propaganda body with progressive and constructive ideas on agricultural and social reform. The Society, in its *Bulletin*, "Progress," and through the publication of pamphlets, organising essay competitions, etc., stresses the importance of a strong co-operative movement for the welfare of the Gold Coast peoples, and points to "the need for a whole-time experienced Registrar of co-operative societies who can bring his experience to bear on the development of co-operation in this country" (*News Letter and Bulletin of the Gold Coast Agricultural and Commercial Society* (June-July 1913), p. 16).

<sup>2</sup> See p. 37.

mechanical ploughing and tillage, etc., on the basis of co-operative farming or land-settlement schemes

### *Gambia*

Here is a country which is almost entirely dependent upon the groundnut, and imports large quantities of food-stuffs to allow greater concentration on production of this crop. We have already referred to the abortive attempt to combine for the marketing of this crop in the early nineteen-thirties.<sup>1</sup> Failure was due to lack of understanding of co-operative principles.

The Report on Labour Conditions in West Africa<sup>2</sup> suggests that a good opening exists in Gambia for market gardens, and recommends the creation of a co-operative society, with some assistance from the Government to help members to provide themselves with equipment, seeds, etc., and to arrange for the marketing of produce. This report refers also to the promising prospect of co-operation in extension of the local fisheries. Expensive equipment, such as trawlers, is not under consideration, but rather the supply of nets, etc. A further possibility suggested for co-operators is charcoal-burning. There are no co-operative rice-growers' societies.

In the absence of a Co-operative Ordinance and a Co-operative Department or Registrar, there is no evidence of any co-operative educational work or encouragement. The fact that the Colony is small in no way lessens the need for a co-operative movement, with proper legislation and a special department to guide its development. In any case, with closer association with Sierra Leone in certain services, provision for a common co-operative service ought also to be made.

## Chapter VI

### BRITISH EAST AND CENTRAL AFRICA

In the majority of the East African Colonies two agricultures exist side by side, that of the African and of the European settler. Our main interest is with the African economy. In a total population of approximately 16,000,000, in East and Central Africa, there are 100,000 Europeans, forming 0.6 per cent of the total.<sup>3</sup> They occupy, however, a very important and privileged position.

<sup>1</sup> See p. 37.

<sup>2</sup> *Labour Conditions in West Africa*. Report by Major G. St. J. Orde Browne, Labour Adviser to the Secretary of State for the Colonies, 1941 (Cmd. 6277), p. 115.

<sup>3</sup> There are also about 120,000 Asiatics and 496,000 Arabs in these Colonies.

Co-operative marketing of coffee, tobacco, maize, wheat and other crops, and co-operative dairying, creamery and stock-breeding societies have been developed to an advanced degree among white settlers, if the term "co-operative" can be applied to organisations which exclude Africans from membership.<sup>1</sup> In Kenya some societies have purchased dairy produce from Africans, who, however, are not permitted to become members. In Swaziland Native growers are compelled by law to sell their tobacco to a society of Europeans, but are not eligible for membership. Adequate credit facilities are usually available for white settlers' co-operative organisations through such institutions as the Land Bank of Kenya.<sup>2</sup>

By contrast with this relatively prosperous and advanced co-operative development among the settlers, the standard of achievement among Native African producers, who represent almost the whole of the population, is incredibly low. In the majority of these Colonies there are neither co-operative associations of Native producers nor legal provision for their registration, nor evidence of their being seriously encouraged by the colonial governments. None of the Colonies has a separate Co-operative Department or an adequate staff responsible for fostering co-operative effort among Native peoples.

### *Kenya*

We have already referred<sup>3</sup> to Sir Alan Pim's statement that practically nothing has been done to develop co-operative associations of Native producers in Kenya, and that what has been attempted appears to have been on doubtful lines. Nevertheless, there have been one or two successful attempts, in spite of the lack of arrangements for propaganda and guidance. The two most outstanding are the Teita Vegetable Company (with nearly 250 members, producing, transporting and selling over 900,000 lbs of vegetables a year for a gross selling price of over £6,000) and the Kisii Coffee Growers' Association (also with a membership of about 250 coffee-growers selling about £3,000 worth of coffee a year). In a report, published in 1944 by the Kenya Government,<sup>4</sup> Mr

<sup>1</sup> The excellent work of the Kenya Farmers Co-operative Ltd (a European organisation) deserves mention. It is not truly co-operative in principle, as the shares can be bought on the market and pay a handsome profit, but it has done good work for the development of farming in Kenya and placed some of its services at the disposal of the Native producer.

<sup>2</sup> In certain Colonies, notably Kenya, some crops, such as tea and the finer grades of coffee, are wholly or partially reserved for white settlers. Native producers were allowed to grow the coarser "robusta" variety of coffee, but not the "arabica" variety.

<sup>3</sup> See p. 38.

<sup>4</sup> *Report on Investigation of Co-operative Possibilities in Kenya*, by W. K. H. Campbell.



W K H Campbell, who was sent to Kenya by the Colonial Office to investigate co-operative possibilities, describes various other efforts which "have achieved quite creditable results, in spite of rather serious co-operative defects, which are usually discernible in their by-laws, if they have any" Mr Campbell suggests many practical possibilities for co-operation in Kenya—Thrift Societies, Pig Producers' Societies, Egg-marketing Societies, Co-operative Stores, Co-operative Mills, Co-operative Dairies, joint transport for fruit and copra, Societies of Vegetable Growers, Co-operative Associations of Farmers for the direction and control of cultivation. In fact, as Sir Alan Pim commented in his report in 1936<sup>1</sup>

"All the main products of the Native are, including maize, cotton, hides and skins, and gum should provide a field for development on these lines. If properly organised and carried on, such a movement may help to inspire the Natives with the idea of progress and the advantages to be obtained from more scientific methods of working."

Suitable legislation is however still lacking in Kenya. The existing Ordinance, passed in 1931, was prepared for the European Societies only. These are highly organised, efficiently managed institutions, composed of members of education, standing and wealth. The Ordinance is therefore in no way suitable for the control of early African societies, and a new Bill is now being drafted. Mr Campbell's report advocates the establishment of a separate Co-operative Department for Kenya, with a Registrar reporting directly to the Chief Secretary with adequate European assistance, as well as a staff of African field inspectors.

### *Uganda*

Here again there has been practically no co-operative development. A Co-operative Societies' Bill, introduced in 1937, giving powers to appoint a Co-operative Registrar, met with so much unofficial opposition that it had to be withdrawn. Cotton, the major crop in Uganda and grown exclusively by Africans offers immense scope for co-operative marketing and ginning. All the ginneries are at present in private hands, and the Government price-fixing scheme, intended as a safeguard against exploitation, is stated to include a sliding scale ludicrously generous to the ginners. It is to be hoped that the Empire Cotton Growing Corporation, which proposes after the present war to centralise its cotton research work in Uganda instead of Trinidad, will extend

<sup>1</sup> *Report of the Commission Appointed to Enquire into and Report on the Financial Position and System of Taxation in Kenya*, by Sir Alan Pim (Colonial No. 116), 1936, p. 175.

the same assistance towards creating Native co-operative cotton ginneries as was given to the West Indian producers some forty years ago by the British Cotton Growing Association. No help appears to be forthcoming from the Uganda Government.

### *Tanganyika Territory*

Before the British Government undertook the administration of the territory certain of the Chagga tribe had cultivated coffee with the encouragement of the German Government. Native cultivation increased during 1922-25, but throughout this period there was intense European agitation against coffee-growing by Natives, based on claims that Native coffee was badly prepared, infested with pests, etc. In 1922 the Kilimanjaro Native Planters Association came into being, European opposition to Native coffee-growing having contributed to its inception and consolidation. This Association was managed from the top by officers of the administration. It did not become co-operative in character until the Co-operative Societies' Ordinance was enacted in 1932. The first step was to decentralise control by forming a number of separate primary societies, each electing its own Chairman, Committee and Secretary. The total membership was 11,500 and the societies were united in the Kilimanjaro Native Co-operative Union Limited, each branch having a representative on the central body which, again, elects its own chairman and executive. A European manager was appointed in the same year, on a three years' contract, the arrangement being that the contract would only be renewed by the free votes of the Executive. His contract has already been renewed twice in this way.

The history of this Co-operative Union tells of many difficulties. In the early stages it encountered opposition from some of the Chiefs, who were afraid of the growth of a rival power calling for loyalty among their followers, and it is true that the Union may, on one occasion, have been used in an attempt to undermine the power of an unpopular chief<sup>1</sup>. Apart from this, a combination of circumstances led to an actual outbreak of rioting in 1937. In the early years, according to true co-operative principles, a first payment had been made to growers on delivery followed later by a bonus on sales. In 1934-35, however, a lump-sum payment was made on the estimated realisation of the crop, in order to avoid the complication of several payments. Unfortunately, a serious fall in world prices ensued and the Union was left with a deficit through

<sup>1</sup> See *African Survey*, p. 1473

overpayment. This had to be made good by deductions in the following year, causing much dissatisfaction. Discontent was aggravated by the fact that German settlers in Tanganyika were at the same time receiving, through the German Government Agency, excessively high prices for their coffee for propaganda purposes. This discontent coincided, unfortunately, with the passage of new legislation, which was misunderstood. The Co-operative Ordinance laid down that if 75 per cent of the producers in an area had agreed to sell through one agent, the other 25 per cent were compelled to do the same. In the Chagga area, however, the position was complicated by the juxtaposition of small-scale Native peasant coffee production of varying quality, and the large-scale settler coffee of excellent quality, which had already established a reputation on the London market. It was unreasonable to expect these different types of coffee to be bought and marketed through the same agency. Under the Ordinance compulsion was applied to all coffee growers in certain areas to market their produce through the Union. As this provision could not be applied to Native producers only, under the provisions of the Mandate prohibiting racial discriminatory legislation, a way round the difficulty was found by defining an area in which there were no non-Native coffee growers and applying compulsion within it. The area was defined and a compulsory clause, known as the "Chagga Rule," was passed under the Native Authority Ordinance on 15 October 1934, which compelled every Native planter to market his crop through the Union.

All this coincided with the fall in world prices, the deductions on the year's payments, and the higher prices received by the Germans. It was asserted that the Government was using the tribal authorities to coerce the population. There was violent opposition to the compulsory sales clauses and malcontents demanded that they should be allowed to sell their coffee where they liked. In some societies the opposition succeeded in replacing the existing officials by their own representatives. These societies then refused to recognise the by-laws and were suspended by the Union through its European manager. This led to riots in a few districts in 1937 (3 of the 27 affiliated societies were involved) and the Provincial Commissioner was called upon to intervene. A Government Commission reported on the Affairs of the Kilimanjaro Native Co-operative Union in 1937 and absolved it from blame. The legality of the "Chagga Rule" was upheld by the High Court in 1942 after a lengthy hearing lasting over a period of many months.

The judgment vindicated the Union and its management, and particularly its course of action in connection with the sale of the 1934-35 coffee crop

The Chagga Rule was withdrawn in 1938, and the establishment of a Native Coffee Board in that year did much to restore confidence. The Board was appointed under the Native Coffee (Control and Marketing) Ordinance, 1937, and consists of the District Commissioner, the Agricultural Officer and two African coffee growers. It is charged with supervision of the cultivation and marketing of all native coffee grown on Kilimanjaro and has appointed the Union to act as its agents in this respect. It has also issued directions requiring all growers to dispose of their coffee through the agency of their Union. The Union and the Board have, in fact, worked in the closest harmony ever since the Board was set up. To-day the agitation against the Union is negligible, although it has not died down completely. There is still, in one area, a desire to be released from the present compulsion to market through the K N C U.

Since the Union was established in 1930 its membership has more than doubled, and now amounts to over 27,500, while the number of coffee-trees owned by members has trebled—to just over 12,000,000 trees, occupying 16,000 acres of land. Some 25,000 tons of coffee have been harvested and sold on behalf of members, for a total of £850,000. Other crops handled by the Union—such as maize, wheat, beans, onions, dried bananas, hides and skins—have brought members an additional £65,000.

The district is now ringed by a chain of twenty-seven buildings—the headquarters and stores of the twenty-seven affiliated societies—covering a belt extending for nearly a hundred miles round the southern and eastern slopes of Kilimanjaro. These buildings, together with the Union's offices and godowns in Moshi, are valued at about £6,000, and it is estimated that they can deal with some 10,000 tons of produce annually.

The value of the Union to its members is thus considerable and it plays an important part in the economic life of the district. In addition, it provides an excellent means of political education for the progressive young Chagga, teaching him how to conduct himself and to express his thoughts in a constitutional manner. To attend the meetings of its primary societies is illuminating. They are conducted on the basis of free speech, delivered with proper decorum, and enable the peasant to express himself on a variety of subjects concerned with his welfare, as, for example, crops and

prices and the proper use of his land. There can be little doubt that these meetings are largely responsible for the growth of a healthy public opinion on such matters. The Union is run by comparatively young and well-educated men and affords plenty of scope for the younger generation in the tribe to display their energies and abilities in an orderly and progressive manner.

The question may well be asked, is the KNCU truly co-operative in character? One is naturally struck by the un-co-operative nature of the by-law which enacts that the Union must employ a Manager approved by the Registrar, on terms of service also approved by the Registrar. This has the effect of removing from the control of the owners a considerable part of the funds of the Union. It also gives the impression that practically the whole management of the Union is in the hands of this Supervising Manager. A co-operative expert who went out to inquire into the position writes, however

"I found when I went there that, though of course there is no denying the un-co-operative nature of the requirement that the Manager and his terms of service should be approved by the Registrar, the actual management of the Union is far more in the hands of its members than I had supposed. I entirely agree that, as matters stand at present, the employment of someone like the present Manager is indispensable. There is no African at present capable of dealing with European firms in East Africa and England, and marketing a crop which realised last year £145,399, and is expected in the present year to realise £160,000. It would certainly be preferable if the employment of this or some similar Manager could be left entirely in the hands of the Society, but the fact is that Government, by imposing the compulsory marketing rule, has incurred a certain responsibility for seeing that the Society comes to no harm, and though at present relations between the Manager and the committee appear to be excellent, if something were to occur to upset this happy state of affairs, Government could not afford to be left without the means of seeing that efficient management was available.

"I had a long conversation with the principal members of the committee in the absence of the Manager, at his suggestion. I found that though they look forward to the day when they will be able to manage the whole business of their Union through African staff, which is a perfectly good and proper aspiration, they are fully aware of the fact that they have no one fit to undertake the managerial duties at the present time. They recognise that the present Manager is an admirable one, and are entirely satisfied that for the present, at any rate, he should remain where he is.

"The Manager seemed to me to be an extremely co-operative-minded person. Constitutionally, if he failed to persuade the committee of the correctness of some step which he considered absolutely

vital, then view would prevail. He told me that enlightenment and progress is proceeding so fast that he will not be surprised if a show-down on these lines does take place in the not very distant future. If it does, his opinion is that the committee should be allowed to have their way and learn by the resulting evil consequences, if he proves to have been right."

The compulsory marketing rule is a further point of deviation from ordinary co-operative practice, and, as we have seen, there has been agitation against it. It appears, however, to be considered as absolutely vital to the prosperity of the industry, which would be badly undermined if individuals were allowed to sell "over the fence". Only increased education of the members and growth of an understanding of co-operative principles would make it possible to remove the compulsory clause and still continue with success.

There are one or two genuine co-operative marketing societies outside the Kilimanjaro region to which compulsion is confined. Lord Hailey refers to ghee societies being started amongst stock-owning tribes in the Kwimba and Mbulu districts<sup>1</sup>. In general the Natives of Tanganyika provide rich ground for co-operative enterprise, if initial guidance and teaching are forthcoming. No adequate co-operative staff has, as yet, been appointed, and there is, as elsewhere, need for a properly organised Co-operative Department.

### *Zanzibar*

Cloves are the principal product of the two islands of Zanzibar and Pemba. The whole crop was until recently compulsorily handed over for marketing to a Government board, the Clove Growers' Association. The main purpose of compulsory marketing is the desire to maintain export prices and, if possible, stabilise them. The Arab clove grower is heavily indebted to the Indian trader and moneylender. Difficulties arose from the opposition of middlemen and it was ultimately found necessary to modify the scheme by reserving to them the purchase of one-half of the crop<sup>2</sup>.

In 1932 a Co-operative Registrar was appointed with the object of developing co-operative societies among growers to counteract the effects of wide fluctuations in buying and selling prices of cloves. These price fluctuations were caused by irregularity of crops, speculation, and the challenge to the Protectorate's previous world

<sup>1</sup> *African Survey*, p. 1473.

<sup>2</sup> The middlemen are Indians and were supported in their opposition to the proposed scheme by a boycott of Zanzibar cloves in India, which normally consumes one-third of the crop. As a result, large stocks of unsold cloves accumulated, to the acute financial embarrassment of the Association, owing to its obligation to buy all cloves offered.

monopoly in cloves, by competition from Madagascar and the Dutch East Indies. The appointment of the Registrar followed on an official report by Sir Alan Pim.

The following year the office of Registrar was abolished and the Clove Growers' Association founded, as a Government marketing board. In December 1934 the Government stated

"For the present it is essential that the Clove Grower's Association, although not in name a Co-operative Society, should perform on behalf of the producers the functions of such a society, otherwise dealers will command the market and pay the producers the prices which suit themselves. The only effective method of safeguarding the industry is by placing the Association in a monopolistic position."

By 1938 the Association had obtained the sole right to purchase cloves within the Protectorate and to sell for export, and would probably have prevented producers from falling into further indebtedness but for the middlemen combining to break its monopoly as described above.

### *Nyasaland*

No co-operative legislation exists at present, although the general economic needs and difficulties of the Natives were studied in 1938 with a view to introducing co-operation<sup>1</sup>. An experiment in co-operative marketing, on a small scale, has been started among a group of coffee growers in Northern Nyasaland, and there appears to be some interest in the idea of consumers' co-operative stores. Otherwise, Nyasaland is one of the numerous co-operative deserts of the Colonies, barren of a constructive policy of co-operative education and encouragement.

### *Basutoland, Bechuanaland and Swaziland*

There is no Native co-operative movement in these three territories<sup>2</sup>. Attempts have been made to form societies in Basutoland, but they failed. These attempts were not made by a staff specially trained in the technique of co-operation because no such staff exists in any of these territories. African tobacco growers in Swaziland have been required to sell their produce through a European Co-operative company, in accordance with the curiously misnamed law of "Compulsory Co-operation". They are represented on the board of the company by an Assistant Commissioner,

<sup>1</sup> Report by Director of Co-operation, Nyasaland, in *Year Book of Agricultural Co-operation*, 1939, p. 424.

<sup>2</sup> *African Survey*, p. 1471.

but are not eligible for membership Sir Alan Pim states in his Report on Swaziland <sup>1</sup>

“Arrangements have been made to finance the Swaziland Co-operative Tobacco Company Limited (representing European interests) to the extent of £12,000, including £10,000 seasonal loan and £2,000 for building and equipment ”

We have no record of expenditure being incurred in respect of Native co-operative development In the same report Sir Alan, in making recommendations involving a change from beef to dairy farming, states

“The establishment of a creamery by unassisted private enterprise is most unlikely, and indeed it will not be recommended without a guaranteed supply A Government owned and controlled creamery might be justified from the point of view of native production, but there are so many objections that it should be regarded as a last resort The most satisfactory solution would be along co-operative lines if the venture can be proved economically sound on the basis of a sufficiently large supply, as Mr Milligan [Sir Alan's Agricultural Adviser] believes it can be, the scheme may be strongly recommended as a suitable one for an advance from the Colonial Development Fund ” <sup>2</sup>

After referring to marketing difficulties in the cattle-farming industry Sir Alan continued

“Proposals are being worked out for providing marketing facilities for the disposal of surplus animals [Native areas are seriously overstocked] The proposals are on co-operative lines, including the establishment of depots and the formation of a pool The scheme appears to be a sound one and its success would inspire confidence It should be put into operation as soon as possible, though the present level of prices is a serious obstacle ” <sup>3</sup>

There is no evidence of any action on the lines suggested

### *Southern and Northern Rhodesia*

Before the present war about a dozen co-operative societies or companies of white settlers were in existence, dealing with maize, fruit, cattle breeding, tobacco, eggs and creameries There are no Native co-operative societies in either territory

<sup>1</sup> *Report of Commission on Financial and Economic Situation of Swaziland*, by Sir Alan Pim, 1932 (Cmd 4114), p 78

<sup>2</sup> *Ibid*, pp 92-96

<sup>3</sup> *Ibid*, p 105



## Chapter VII

### MALAYA AND CEYLON

#### *MALAYA (pre-Japanese invasion)*

Debt has rightly been termed the scourge of agriculture in Malaya, where its burden on the common people is heavier than almost anywhere else in the Colonies. Crops are invariably tied to the moneylenders—in most cases Chinese and Indian traders and shopkeepers. Rates of interest are high and inability to obtain full market prices for his products condemns the peasant to a low standard of living and a fatalistic outlook. He is impervious to ideas of progress, or scientific methods of cultivation. These would, as things are, only benefit the moneylender.

#### *Co-operative Credit*

The history of the introduction of a Co-operative Ordinance in the Federated Malay States and the Straits Settlements in 1922 and 1924 respectively, and the establishment of a Joint Co-operative Department in 1924, has already been outlined <sup>1</sup>. Since its inception the Co-operative Department has been mainly concerned with the fundamental problem of debt. The movement has developed slowly, but on sound lines, and almost exclusively in the sphere of co-operative credit, thrift and loan societies.

The outstanding feature of the Malayan Co-operative Credit Movement is that it has been built up without any direct financial assistance from the Government or the use of outside funds. It was the policy of the Co-operative Department to make the societies independent of outside finance, and to deny them the use of other people's money until they had learned to use their own wisely. The Malayan credit societies, after a period of careful saving by their members, began to issue loans cautiously to members in distress. This policy was gradually extended until, shortly before the Japanese invasion, the urban societies, at least, had reached a position where—

“A few thousand Asiatics in humble walks of life were handling well over a million and a quarter pounds sterling of their own money, in the first instance for their own needs and interests, and at the same time had in their societies large surpluses for investment in municipal

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<sup>1</sup> See p. 39

and government loans Defalcations have been remarkably few Moreover these societies had accumulated large indivisible reserve funds which, on winding up or dissolution of the society, could not be dissipated among the existing members as interests on members' share capital and deposits or bonuses, or turned into private companies, or otherwise pillage the inherited wealth of their predecessors Co-operative interest was limited to a reasonable figure, 6 per cent, and by law the balance of these reserve funds, if the societies cease to exist or to do business, must be devoted to some local public purpose such as the mosque, temple, school, road, bridge, playground, etc"<sup>1</sup>

An interesting sidelight on the capacity of these small societies to create funds out of their own resources was afforded when a Co-operative Credit Society appealed, after the outbreak of war, to a retired director of the Co-operative Department of Malaya to intervene when the Registrar then in office refused the society permission to send £10,000 of its funds to the British Red Cross in London This would have been quite illegal under the society's constitution, although the patriotism displayed was admirable

In 1939, after nearly twenty years of work, the Malayan Co-operative Movement comprised 687 societies with 111,036 members—just above 3 per cent of the population The picture is less favourable than even these figures would imply because 375 of the societies, with 67,939 members (more than half the total), are societies of Indian labourers Development had therefore been one-sided There were still only 86 Rural Credit Societies, with 2,676 members An inquiry by the Office on Foreign Agricultural Relations of the Department of Agriculture, U S A, published in April 1941, points out that the Malayan farmer continues to rely "on the Indian and Chinese pawnbrokers and moneylenders as his chief source of credit, whether short or long term" On the other hand, it is satisfactory that the whole of the share and subscription capital and of the deposits and loans belongs to the members of the societies

The 86 Rural Credit Societies are of the Raiffeisen type, that is, with unlimited liability Their development has been retarded by the economic depression of the nineteen-thirties By 1936 prices were very low and almost the whole amount of the outstanding loans was overdue, as members who had borrowed when prices were high could not repay In the Federated Malay States membership fell from 3,098 in 1928 to 1,444 in 1935 As a result, however, of the policy of building up sound reserve funds all the members

<sup>1</sup> Quoted from a paper submitted to F.M.S. Colonial Bureau by Mr A Cavendish, formerly Director of Co operation in Malaya

of liquidated societies received their share capital in full, and in most cases there remained a surplus to be used for some communal purpose. By 1939 the societies were slowly recovering, although still far from their pre-depression strength.

Seasonal Credit Societies were first introduced in the Federated Malay States in 1936 for the purpose of financing peasants dependent on a single crop. Credit is mainly required while the rice crop is growing. Rubber and coconut growers do not need such credit since their trees yield returns throughout the year. Consequently, special seasonal credit societies, on a limited liability basis, have been mainly concerned with meeting the needs of the small padi planters. The members take up shares at fifty dollars each, payable in ten annual instalments of five dollars at harvest-time. Loans must be repaid immediately after harvest, and there had been no overdues up to the time of the Japanese invasion. These societies were immediately popular—their numbers grew from 4 in 1936 to 39 in 1939, and their membership from 65 to 708. They are less ambitious than the Rural Credit Societies of the Raiffeisen type with unlimited liability, but their success among the Malayan padi planters, previously dependent on moneylenders, is significant.

The steadiest development has been shown by the Thrift and Loan Societies, formed chiefly among Indian labourers on rubber estates and among urban salary earners. In 1939, in the F.M.S. and Straits Settlements, there were 375 Indian labourers' societies with a membership of 67,939, and 79 urban Thrift and Loan Societies with a membership of 31,198. Over one million dollars were saved by Indian rubber estate workers in 1939, and large amounts were refunded to members who had decided to retire to India or to seek new employment.

#### *Better-Living and General-Purpose Societies*

In addition to these various forms of credit societies there were five Better-Living Societies in operation in 1939, formed with the main object of cutting down expenditure on ceremonies. Finally, there were 78 General-Purpose Societies (49 in the F.M.S., 7 in the S.S. and 22 in the unfederated state of Kedah), with 6,668 members, in 1939. These societies covered activities which in Western countries are usually the province of municipal undertakings, such as clearing of burial-grounds, wells and drains, building of footpaths and teachers' quarters.

*Co-operative Stores*

The universal custom of credit trading, and the consequent tying of the Malayan peasants to the village shopkeepers by debt, have been fundamental obstacles to the development of consumers' societies. Four of the five rural co-operative shops existing in 1939 tried to work on a strict cash basis, but only one succeeded. There was also one urban co-operative store with 305 members. Once the burden of debt has been overcome there is no doubt that the development of co-operative consumers' societies would be of great value.

*Co-operative Education*

The rural Lecture Caravan, operated jointly by the Malayan Department of Agriculture, the Labour Research Institute and the Co-operative Societies' Department, organised tours in 1939. The total attendance was estimated at 133,000. The caravan was fitted with cine-projectors, loud-speakers and agricultural exhibits. Rural adult schools were sometimes held, and some of these resulted in the foundation of co-operative societies.

*Co-operative Marketing and Processing*

The value of the principal crops exported from Malaya in 1938 was (including re-exports)

Rubber	£31,848,000
Coconut products	2,117,000
Rice products	1,562,000
Areca nuts	1,219,000
Canned pineapple	847,000
Gutta-percha	580,000
Rattans	163,000

(a) *Rubber*—Rubber is by far the most important export crop and is drawn from plantations (60 per cent) and small holdings (40 per cent). The plantations are mainly owned by joint stock companies in England, and managed in Malaya by firms of "managing agents," usually trading companies. Such firms manage a number of plantations, marketing their produce on commission, and often carry on an import business as well. A proportion of the plantations are owned by Indians or Chinese. Rubber production has been restricted under an international control scheme which restricted small-holders' produce to about two-fifths of Malaya's output. In many cases, however, these small growers found it more profitable to sell their coupons to the

plantations The small rubber output of the Malayan peasants was usually sold to the Chinese traders They rarely received a fair price, because of their debt obligations Their rubber was generally inferior in quality, due to a lack of interest in efficient preparation, a mental condition largely due to their indebtedness

Co-operative processing would be invaluable in improving the quality of the small producer's latex, but until the obstacle of debt is overcome no real progress can be made During 1939 experiments were made in joint marketing, and eight separate groups were formed in Selangor Experience has shown, however, that no advantage can be gained by co-operative marketing of inferior produce and there must be efficient preparation to ensure high quality before co-operation can yield results

(b) *Coconuts*—Two-thirds of the acreage is in small holdings Originally, the Malay sold his coconuts on the tree, leaving Chinese middlemen to do the harvesting The Department of Agriculture was, however, teaching him to prepare copra for himself, and a special kiln had been invented for individual use In 1939 there was one copra-marketing society and ample scope for many more The coconut-oil and soap factories were in Chinese hands and uncontrolled

(c) *Rice*—Rice is grown almost exclusively by the Malays Formerly, it was milled by Chinese, who, because of the indebtedness of the peasants to them, paid very low prices and had a price agreement among themselves By 1939, however, there were a number of Government rice mills functioning on an economic scale They were doing good work but were unable completely to offset the unsocial effects of the private mills, again because of the debt situation which underlies every aspect of peasant economy A co-operative rice mill was established in the state of Kedah, with 1085 members, but was unable to operate during the 1938-39 season owing to keen competition by Chinese millers who formed a united front There was also a scarcity of suitable padi

(d) *Pineapples*—Pineapples are a Chinese crop They were sold at low prices to Chinese factories for canning These, in turn, sold to European merchants for export The depressed export demand during the nineteen-thirties led to low price levels and in 1939 a restriction scheme was adopted No new factories were to be built, quotas were allotted to existing factories, but a minimum price to be paid to the growers was unfortunately overlooked

(e) *Oil Palms*—Oil palms are exclusively grown on plantations, the oil is marketed through a syndicate

Under such conditions of monopolistic internal and export marketing systems, it is not surprising that co-operative marketing and processing made little headway in Malaya. It was only in the rice industry that the Government had taken steps to counteract the effects of these unsatisfactory marketing arrangements. The primary problem is however the removal of debt and prevention of its recurrence, which must be the basis of any constructive economic policy in the interest of the people. Nor can it be overstressed that the introduction of a sound system of credit must be accompanied by an educational advance among the people themselves along the lines of self-help, thrift, wiser spending, improved standards of citizenship and the elimination of unsocial customs. A substantial proportion of the general indebtedness is due to excessive expenditure for non-productive purposes, such as weddings and burial ceremonies, for unnecessary litigation, and for maintenance during too frequent periods of sickness.

### *Conclusion*

Only the fringe of the universal state of indebtedness had been reached by the co-operative credit movement in the few years that the Co-operative Department had been in operation. The problem will eventually have to be tackled on a much wider scale than by relying on thrift alone, as many peasants are in greater debt than they can possibly meet from their savings during their lifetime, at least under prevailing conditions. So long as the debt remains, the vast majority cannot secure either fair returns for their crops through co-operative marketing and processing societies or reasonable credit facilities, have no incentive to improve their methods of cultivation, and are unable to purchase co-operatively. The Co-operative Department, with the limited staff at its disposal, has shown that a few thousand peasants and labourers, through co-operative credit and thrift societies, can achieve freedom from debt and learn to handle their financial affairs efficiently and wisely, according to standards of honesty and integrity which compare favourably with those in Western countries with centuries' more experience. The fact remains, however, that only a minute proportion of the indebted peasantry has been affected, and this proportion includes those least heavily in debt and with the highest standards of probity and character among their fellows. The urban credit societies have done much better (at least financially) than the rural societies, and a considerable accumulation of funds

and resources has accrued from their co-operative enterprise and methods. But these have been invested in Municipal and Government securities, rather than being devoted to the extension of co-operative credit facilities to more needy sections of the community, as has taken place through the central co-operative banking institutions of Ceylon and Palestine.

Whilst the Co-operative Credit Movement must play a part of fundamental importance in any policy aimed at eliminating debt slavery and preventing its recurrence, it is obvious that other important steps are required, such as introduction of sound land-tenure systems, insurance and marketing schemes, control of unproductive spending, and prohibition of repressive liens on crops. Consumers' co-operative societies could also play a vital part in the education of the peasant as a consumer and in the principles of wise and economical spending. The producer cannot be separated from the consumer, and too often the burden of debt on the peasant producer has followed his unwise purchases of consumption goods, invariably on credit and generally beyond his income. The difficulties of substituting cash trading for the customary credit system and the opposition of the moneylenders and village traders should not be allowed to prevent the introduction of this much-needed reform.

#### CEYLON

The position in Ceylon closely resembles that in Malaya. Export production is largely in the hands of European plantations owned by London companies and supervised by managing agents. Ceylon's small holders are primarily growers of rice for domestic use, but also grow a small proportion of economic crops. The burden of debt is almost as heavy as in Malaya, due to the same fundamental cause—a bad credit system whereby the small farmer has recourse to the moneylender, to whom he is already heavily in debt, for extravagant or ceremonial expenditure. As in Malaya, the paralysing effects of this indebtedness are only too obvious—miserable standards of living, apathy to progressive ideas, inability to take advantage of the economies of co-operative marketing and preparation of crops. On the other hand, a strong Co-operative Credit Movement is developing rapidly and the societies have reached a much larger number of people than in Malaya. Although co-operative societies were being helped with Government loans as far back as 1914, effective progress was not made until 1926, when a trained officer was put in charge. In 1930 a separate Government

Co-operative Department was established and rapid progress followed. While in April 1930, twenty years after the first Co-operative Ordinance in Ceylon, there were 459 societies, with 22,400 members, in April 1937 the membership had nearly doubled—44,753—increasing by another 56 per cent to nearly 70,000 in 1940. We have already quoted the striking statement of the Co-operative Registrar that the demand for assistance now needs no artificial stimulus<sup>1</sup>. He deplored that “a policy of retrenchment and economy brought on by financial circumstances has unfortunately coincided with the most favourable time for development”<sup>2</sup>.

These figures are even more encouraging when it is realised that the Co-operative Department on its inception undertook the drastic weeding out of badly run societies. In the first four years of its existence no less than 192 of the existing societies were dissolved, while others were completely reorganised. The result of the Department's work was shown in the emergence of a considerable number of societies reaching the “A” standard of qualification. This demands that a society shall have accomplished over two years' full work, that its members obtain all their credit from the society and no longer borrow from outside, that the society shall hold an appreciable sum in deposits from members and non-members and makes its own recoveries without help from official staff.

In contrast to Malaya, the Ceylon Co-operative Movement has developed its own central Supervising Unions and Banking Institutions. In 1940 there were 51 such Supervising Unions with 802, 4 Banking Unions with 95, and 3 Central Banks with 1065 affiliated societies. A Co-operative Mortgage Bank was also under consideration. In 1937 a Federation of these Supervising Unions was registered, with the object of raising funds to maintain an unofficial co-operative staff supplementing that of the Government Co-operative Department. By 1938 eight sub-inspectors, paid entirely from the resources of the movement, had been appointed. The Department has always kept in the forefront the idea of a self-governing co-operative movement in Ceylon. It is interesting to note that the present Co-operative Registrar and his staff are all Sinhalese or Tamils.

The position of the Movement is as follows

[TABLE

<sup>1</sup> See p. 41

<sup>2</sup> *Year Book of Agricultural Co operation*, 1941, p. 229



Societies			Number of Members		Working Capital	
Type	Number		1936-37	1939-40	1936-37	1939-40
	1936-37	1939-40				
Credit					rupees	rupees <sup>1</sup>
Unlimited	930	1,502	21,303	31,101	1,518,328	1,805,656
Limited	11	93	1,861	3,653	213,187	590,912
Thrift	70	119	9,285	15,288	914,255	1,151,319
Stores	21	6	9,203	12,566	111,625	174,545
Others	19	61	3,098	3,854	610,732	211,173
	1,081	1,601	11,753	69,967	4,368,125	4,039,605

### *Credit and Thrift Societies*

It is clear from this table that the Co-operative Movement in Ceylon has concentrated on development of credit and thrift. The Credit Movement is essentially based on the Raiffeisen system of unlimited liability, which came far more easily and naturally to the members than any limited variation would have done.<sup>2</sup> Nevertheless, the Schulze-Dehltzch type of society, in which liability of members is limited to the unpaid portion of the share, has also made good progress. The maximum interest charged by both sorts of societies for loans to members was 12 per cent., against at least 30 per cent. by moneylenders. Although loans for unproductive purposes have never been excessive in Ceylon, a fresh drive was undertaken in 1940 to reduce such lending to a minimum. A form of unproductive lending was the "land-lease" and land-purchase laws which should never be combined with short-term credits granted by personal security, and which incited certain "co-operators" to use their society for financing their own private moneylending activities. The operation of a typical credit society of the Raiffeisen type is outlined more fully in a following chapter.<sup>3</sup>

The majority of Thrift societies are formed among salary-earners, and savings are less the outcome of disciplined habits than automatic deductions on the monthly pay-sheets of members. Every member joins by his own wish, however, and has to make written application for membership. Similarly, if he is dissatisfied he can resign in

<sup>1</sup> 1 rupee = 15 6d

<sup>2</sup> Karl Walter, in the 1929 *Year Book of Agricultural Co-operation*, p. 7

<sup>3</sup> See pp. 131-135

accordance with the by-laws 33 per cent of loans granted by the Thrift societies in 1939-40 were used for medical aid and 25 per cent for payment of old debts

### *Consumers' Societies*

These are found to a large extent on the estates and are conducted under the aegis of the estate-owners. Success is made possible by deduction of the value of members' purchases from their wages. Failure of consumers' stores elsewhere is explained by the fact that cash purchases are foreign to local habits. Either people did not buy at all, or they bought on credit which was not repaid. A campaign for the education of the consumer would be an essential basis for the introduction of co-operative retail societies. A valuable purpose has already been served by stores on tea estates, which increase the purchasing power of labourers' wages. There appears no reason why such stores should not be developed on estates and plantations in other Colonies—for example in the Cameroons, where the truck system of payment is widely adopted by plantation owners—or in other plantation industries where store profits are absorbed by the owners and not returned to the workers.

### *Other Societies*

The Registrar's Report for 1939-40 refers to several Handicraft Co-operative Societies, especially in the weaving industry, and six Better-Living Societies which help members to save, keep cleaner homes and maintain kitchen gardens.

A very valuable public service is being rendered by a society which runs a daily motor-launch service between several islands off the north coast and the mainland. The society, in the face of much discouragement at the start, imported a motor-launch from Scotland, has maintained a creditable service, and repaid its original loan (which was refused by Government but advanced by the Co-operative Central Bank).

### *Co-operative Marketing and Processing*

There has been little development of co-operative marketing and processing, due to the restrictive effects of indentations, and to the difficulty of effecting an entry into markets unregulated and glutted already.

*Value of the Principal Export Crops in 1938*

Tea	£12,927,000
Rubber	3,396,000
Coconut products	2,518,000
Plumbago	131,000
Cinnamon	118,000
Cocoa	107,000
Areca nuts	77,000
Tobacco	47,000

*Tea*—Tea is cultivated principally on plantations doing most of their own curing. Small holders sell to plantation or independent factories. There is a restriction scheme and many small producers have found it simpler to sell their coupons, which have a good market value, and cultivate other crops.

*Rubber*—About one-third of the acreage, also subject to a restriction scheme, is in small holdings. As in Malaya, the present product is crudely prepared, and there seems to be an equally strong case for co-operative processing, once the debt problem can be overcome.

*Coconuts*—This is an economic crop, primarily produced by peasants. It is exported in the form of copra, coir and yarn, or of cattle cake. Coir and yarn are made by the village women, oil and cattle cake by private factories paying unregulated prices. Co-operative preparation of copra would undoubtedly improve its quality.

*Rice*—Rice is the small holder's principal crop, produced mainly for subsistence. There are some Government rice mills which afford reasonable prices wherever direct access can be obtained.

*Cocoa*—A cocoa-marketing society with 92 members has been established, and the development of co-operative cocoa fermentaries would be of great value.

*Tobacco*—There is a co-operative tobacco-marketing society which handles a substantial proportion of the Malayan tobacco grown in the Jaffna District and sold in South India. This society, though it operates in an area where co-operative societies are well developed, and though four years of preparation were put in before it was registered, has had to contend with strongly entrenched vested interests. It has fought for its life bravely and is gradually gaining in strength. There is much scope for improvement of the quality of the tobacco. This problem the society intends to tackle as soon as it has had time to breathe.

*Miscellaneous*—The Registrar's 1939-40 report mentioned two co-operative dairies and one vegetable-marketing society. A project for better marketing of vegetables was under investigation in 1939.

*Conclusion*

The Co-operative Movement in Ceylon, as in Malaya, has had to concentrate the greater part of its efforts to overcoming indebtedness through Credit and Thrift societies. It has made rapid progress in recent years and is well on the way to the stage at which it can develop under its own momentum independently of Government encouragement. The movement has reached a larger number of the people than in Malaya and, in the sphere which it has penetrated, has achieved success in counteracting the more vicious conditions of debt and opening the path to economic and social advance. Unfortunately, this sphere is only a small part of the problem of indebtedness, which requires to be dealt with on lines suggested later.<sup>1</sup>

Once the inertia and apathy of the people have been overcome there would appear to be considerable opportunity for further co-operative enterprise in processing and preparation of rubber, copra, cocoa and tobacco, co-operative dairying, handicrafts, consumers' societies and marketing. As the incidence of international commodity and price control schemes is likely to bear heavily in future on the export crops of Ceylon, special attention will have to be devoted to development of Co-operative Associations of producers and consumers to represent their interests on existing control boards and in the post-war planning machinery.

## Chapter VIII

## PALESTINE

The Co-operative Movement in Palestine falls immediately into two separate categories, of widely different characteristics, and with few points of contact. These are the Arab and the Jewish Co-operative Movements. The Arab Movement is still in a state of nonage, and would hardly have developed at all without the active assistance of Government. It was not until 1933 that this assistance took shape, following the provision in that year of suitable legislation and the granting of increased powers to a fully trained Co-operative Registrar to encourage co-operative societies among the illiterate and poverty-stricken Arab cultivators or fellahs.

The Jewish Movement, on the other hand, is an out-standing

<sup>1</sup> See pp. 127-141

feature of the economic and social structure of the Jewish community, which has not only shown great competence in organising co-operative societies, but has introduced co-operation into almost every aspect of its life. Co-operation has been widely adopted as the economic form best suited to Jewish colonising activities over the last thirty years. Sir John Hope Simpson, visiting Palestine in 1930, reported that the Jewish Co-operative Movement had "not only been successfully launched among the Jewish population, but has already become a highly important factor in its daily life. On the whole the societies are extremely well managed. There can be no doubt that the societies are doing magnificent work and are a valuable asset both to the villages and to the residents in the towns."

### THE JEWISH CO-OPERATIVE MOVEMENT<sup>1</sup>

#### *Introduction*

The Jewish Co-operative Movement in Palestine has evolved along lines of its own as a result of special economic and political conditions. Palestine, which in all respects had been backward and neglected for many generations, entered on a chapter of energetic development during the period between the two World Wars, following on the opportunity afforded to Jews in virtue of the British Mandate, to immigrate. Not many less than half a million Jewish immigrants entered the country, where they now constitute more than a third of the total population. They have established towns and villages, an intensive agriculture over areas that had been forsaken for ages, numerous branches of industry and handicrafts, modern transport undertakings, medical and social service institutions, schools and cultural enterprises.

The majority of the Jewish immigrants were persons of restricted means. Many had no productive vocation and no previous contact whatsoever with agriculture, for their forefathers had for many generations either been engaged in commerce or were small-scale artisans. They arrived in Palestine and found themselves faced with unfamiliar and by no means easy conditions. A ravaged soil, a trying climate, marshlands and disease, lack of roads and elementary services, no provision for health and education in keeping with European standards, a primitive local population with low standards of living—these were some of the difficulties, in addition

<sup>1</sup> This section has been provided by courtesy of the Palestine Labour Political Committee in London. As representatives of the best-developed co-operative movement in the British dependencies it seemed particularly appropriate that they should tell their own story. They assume responsibility for all statements in these paragraphs (up to p. 110).

to his own inexperience, which faced the Jewish immigrant. The very process of transition to a new way of life and different form of work meant a great and absorbing effort.

In these circumstances, co-operation based on principles of mutual help and common effort appeared to be the natural solution. It offered a powerful weapon for coping with the complex difficulties. Moreover, the Jewish pioneer settler had not come to Palestine merely as an immigrant. He was inspired by the great ideal of building a new form of society on a foundation of social justice and of preventing the reproduction of many old evils of the existing economic system. These two factors provided a great impulse towards development of the idea of co-operation. They also account for the independence and individuality of the Jewish Co-operative Movement in Palestine, which took on forms of organisation differing in many respects from those found elsewhere.

### *Structure of the Co-operative Movement*

The Jewish Co-operative Movement in Palestine comprises two main sectors: (1) Labour co-operation, centred around the General Federation of Jewish Labour in Palestine, (2) Non-Labour co-operation, with a mainly middle-class membership.

The General Federation of Jewish Labour (the Histadruth) numbers some 130,000 members, about 45 per cent of the total adult Jewish population of the country. As a labour organisation it is unique<sup>1</sup>. On the one hand, it fulfils the functions of a trade union of the usual type, but on the other hand it goes far beyond these functions in promoting and developing settlement, reconstruction, labour immigration, training, etc. Its economic, social, cultural and political activities cover a broad field, and occupy an important place in the social and economic life of the country. The Federation's economic activities are carried out mainly in the form of co-operative enterprise and have therefore spread to almost all fields of constructive endeavour. There are co-operatives in the various branches of agriculture, among consumers, in industry and handicrafts, in transport of passengers and goods, credit, housing, in building and agricultural contracting enterprises, insurance, water supply, etc. At the Second Conference of the General Federation in 1923 it was decided to form the General Co-operative Association of Jewish Labour in Palestine (Hevrat Ovdim). Every

<sup>1</sup> For a full account see *Jewish Labour Economy in Palestine: The Economic Activities of the General Federation of Jewish Labour*, by Dr G. Muenzner. Published by the Economic Research Institute of the Jewish Agency, 1943.

member of the Federation is therefore at the same time a member of Hevrat Ovdim, which is registered as a co-operative society. This is the official status of the Federation as an economic organisation.

The co-operatives outside the Labour Federation are confined mainly to rural and urban credit societies, water supply, marketing of citrus and vines, and more recently marketing of general agricultural produce of middle-class settlers.

Co-operation in Palestine is affiliated to the Co-operative International. Delegates participated regularly in the international gatherings of the Co-operative Movement as well as in those of the British Co-operative Movement, with which it maintains close commercial relations.

Palestine has specific legislation for co-operatives which was revised in 1933 with the assistance of Mr Strickland. According to this co-operative societies in Palestine are registered and supervised by the Registrar of Co-operative Societies and his assistants. The Registrar also has an Advisory Co-operative Council in which representatives of all branches of co-operation participate. Local co-operatives enjoy certain privileges as regards stamp duty, and an appreciable part are also exempt from income tax, even though the formulation of the law in this respect is by no means as satisfactory as in progressive countries elsewhere, or as in neighbouring Cyprus. Of late certain industrial and agricultural circles are endeavouring to persuade the Government to abolish the privileged tax position of the Co-operative Movement.

### *Agricultural Producers' Co-operation*

The singular organisational structure and content of agricultural co-operation in Palestine also derive from the very special local conditions. We have described the difficulties facing the Jewish immigrant on arrival in Palestine. It was far beyond the power of any individual to surmount these obstacles. Mutual aid and co-operation seemed the natural way of meeting the situation and thus led to the establishment of agricultural co-operatives. In the course of time these have assumed three main organisational forms: (a) the small Kvutza (collective farm) restricting itself to a total membership of 100 to 150 adults, (b) the large Kvutza, or Kibbutz, setting out to have many members (some already have 600 to 800 members or more) and usually endeavouring to combine agricultural and industrial production, (c) small-holder settlements co-operative organisations of small agricultural producers each of whom tills his

own farm on nationally-owned land. Wage labour is absolutely prohibited in all three forms, as also is private trade. All buying and selling is conducted on exclusively co-operative principles.

The first two types are purely collective bodies, where all production and consumption without exception are organised on communal lines, and where private property is not permitted. The third type is organised on a basis of individual small holding, but is established on a foundation of mutual help, personal labour and exclusively co-operative purchase and sale of all requirements. The small-holder settlements, *kvutzo* and *kibbutz*, are also organised on a country-wide basis, each type separately.<sup>1</sup>

All these co-operatives are organised in an Agricultural Audit Association in accordance with local co-operative legislation. The report of this association shows that in 1941-42 members amounted to 304 societies, 134 of which were *kvutzo* and *kibbutz*, while 70 were small-holder settlements. The remaining members were water societies, marketing bodies, etc. (A separate account will be given below of the more important of the latter.) The *kibbutz* and small-holder settlements together had about 26,000 working members, with a total population exceeding 45,000. The capital invested in them at the end of 1942 amounted to some £6,400,000, disregarding the value of the land, which belongs to the Jewish National Fund (private ownership of land is prohibited according to the principles of labour agriculture in Palestine).

Twenty years ago the agricultural conditions were primitive and harvests meagre. Within a remarkably short space of time modern agriculture has come into being, thanks mainly to the agricultural labour co-operatives, which are responsible for nearly 70 per cent of the country's mixed farming. This development proved an incalculable boon during the War, when imports of foodstuffs, formerly on a large scale, had to be curtailed. During the three years 1940 to 1942 the Government for the first time advanced about £553,000 for the expansion of mixed farming. Of this about £300,000 was lent to Jewish (chiefly co-operative) mixed farming. These loans have helped to produce the result described. On the other hand, the Government did not enlist the assistance of the co-operative bodies in the steps taken to stabilise prices, and counteract speculation, but acted independently along normal bureaucratic lines. This has doubtless helped to contribute to the lack of success achieved in marketing and price policy during the War.

<sup>1</sup> See special note on Jewish agricultural co-operatives at end of chapter



*Agricultural Marketing Co-operation*

"Tnuva" is the country-wide organisation for marketing the produce of agricultural co-operatives. The growth of its activities is shown by the following figures of sales

	Milk and Milk Products	Eggs, Vegetables and Poultry	Total
	£	£	£
1933	133,400	73,300	206,700
1939	317,000	387,000	704,000
1941	417,200	581,600	998,800
1942	793,100	1,277,900	2,071,000

	Milk (in 1000 litres)	Eggs (in 1000's)
1933	6,900	3,858
1939	16,788	24,450
1941	18,423	21,957
1942	22,970	21,068

"Tnuva" has established a number of modern dairies for converting milk into various food products. It fulfils a particularly important function in supplying milk to school children in various places, and in providing agricultural produce at cheap prices to special supply institutions, established by the General Federation of Jewish Labour for workers with restricted means.

During recent years co-operatives have been organised for marketing the produce of private farmers conducting their farms in accordance with the usual capitalist principles. These marketing co-operatives are still in their earliest stages of development and have not reached any considerable dimensions. The most important is "Tenne," which in particular serves many of the agricultural settlements established by Central European immigrants who came to Palestine after Hitler's rise to power in Germany. Twenty-five co-operatives with 800 members are affiliated with this organisation, which in 1941-42 marketed agricultural produce to the value of about £107,000.

The oldest Agricultural Marketing Co-operatives in Palestine are specifically concerned with the export trade—the Pardess Citrus Fruit Marketing Co-operative and the Society of Jewish Wine-

growers These two organisations serve the Jewish Citrus Growers and Wine Growers, who work their farms privately with the aid of wage labour To them, co-operation is almost exclusively a technical organisational form, and the great majority of the members do not regard co-operation as aiming at a change in the existing economic structure There is a vast distinction in this respect between them and the agricultural co-operation of the workers

"Pardess," the Co-operative Society of Citrus Growers, Limited, was the first co-operative society to be registered in Palestine It was established as long ago as 1896 At the time the area of Jewish citrus groves and the number of citrus growers were exceedingly small, but even then there were those who could not submit to the co-operative society form When prices were high many growers left the society, when prices fell many joined or returned to it

Nevertheless before the War membership increased continually, particularly during the period of expansion of the area under citrus cultivation True, many other co-operative societies were established for marketing citrus fruits (some 36 in all), but they were all small compared with "Pardess," which continued to grow until, in 1937, it had about 1000 members, who between them owned 40,000 dunams<sup>1</sup> of citrus groves under actual cultivation, and marketed close on 3 million boxes of citrus fruit as compared with 25,000 in 1900 It handled more than 50 per cent of the citrus fruit of the Jews, and about 27 per cent of all that exported from the country

When war broke out the situation changed entirely The suspension of citrus exports placed growers in a difficult position, and the oldest co-operative society was unable to stand the test The workers' agricultural co-operatives, which had begun to develop citrus groves as one branch of local mixed farming before the War, established their own export co-operative society under the name "Tnuva Export," which had progressed exceedingly well Its activities, however, have also dwindled to nothing with the suspension of exports Yet since its financial position was satisfactory it remains dormant until objective conditions permit renewal of its activities

The War has brought an entirely different course of development to the second co-operative society of private farmers, that of the wine-growers This society was registered in 1927, taking over wine cellars in different parts of the country, which had been

<sup>1</sup> 1 dunam = quarter of an acre

established as long ago as 1890. The society has 120 members, owning 8,300 dunams of vineyards.

By its constitution, all members of this society must hold equal shares in its capital, and each share costs £1. Members are required to hand all their vintage to the society, which functions in accordance with the accepted methods of marketing co-operatives and makes advances to its members on account of their future vintages. Before the War more than 30 per cent. of its produce was dependent on foreign markets. The War has led to a radical improvement in the position of the society and its members, as can be seen from the following figures:

	Receipts from Sales (gross)	For Distribution among Members
1939-40	£72,000	£31,500
1940-41	121,000	55,000
1941-42	233,000	107,000

The "Hahaklali" Agricultural Co-operative for Cattle Insurance has been in existence for more than twenty years. In 1940-41 it insured 12,750 head of cattle to a value of £365,000, and its income from all its services then amounted to £23,500.

### *Consumer Co-operatives*

Unlike the situation in Britain, consumer co-operatives do not hold pride of place in the Palestinian Co-operative Movement. The reason for this is, once again, the peculiar economic and social conditions of the Jewish inhabitants. Most of them, who came to Palestine from Eastern Europe, had been engaged in trades and small-scale handicraft. In Palestine they made every effort to shift to agriculture, industry and transport. As a result, the percentage of shopkeepers and peddlers has declined considerably. Nevertheless it is still quite high, and the competition which resulted from the surplus of shopkeepers and hawkers in Eastern Europe leaves its mark in Palestine. The shopkeeper, who together with his wife and children works long hours, gains exceedingly small profits. He is prepared to extend credit to his customers, for which he receives indirectly quite a high rate of interest. At the same time many customers, particularly workers without resources of their own, shut their eyes to the low quality of goods they receive.

and the high prices charged, as long as they can purchase on credit. Such conditions have made the development of consumer co-operatives very difficult. The co-operative cannot work under these competitive conditions. It requires a staff receiving fair wages and working a fixed number of hours per day, a regular book-keeping system and so on, all of which appreciably increase overhead charges.

There has been considerable improvement in the development of consumer co-operatives since the War. Shortage of commodities and the unbridled speculation of private merchants of all kinds made people realise the value of co-operation in this field. The number and membership of the societies began to increase.

*Consumers' Co-operative Societies*

Year	No of Societies	No of Members	Own Capital	Turnover
1931	11	772	£3,350	£37,800
1935	40	5,000	20,200	272,500
1939	57	9,400	51,000	341,000
1940	56	9,840	57,000	368,000
1941	64	13,600	71,000	500,250
1942	92	25,000	100,000	1,100,000

These are all organised in accordance with the principles of the Rochdale Pioneers, and are united in the Co-operative Audit Union, which guides them economically and organisationally.

There is also a Co-operative Wholesale Society ("Hamashbir Hamerkazi") to which the Consumers' Societies belong. Its development during the past ten years has been considerable.

*Turnover of "Hamashbir Hamerkazi"*

1931	£68,000
1935	273,000
1939	543,000
1940	600,000
1941	679,000
1942	1,285,000

This institution is the chief source of supply for the consumer co-operatives, the various agricultural co-operatives, the agricultural schools and a number of other social institutions. Apart from groceries, it provides its customers with animal fodder, live stock, seeds, fertilisers, agricultural machinery, incubators, chemicals, textile and shoeing materials, it helps to construct cold-storage

plants, which are particularly important for farmers in the climatic conditions of Palestine improves the kitchens and laundries of the agricultural collective settlements, supplies electrical incubators, lorries, motor parts and tyres. It has a special department dealing with building materials and packing materials for agricultural products.

During the War years the Government has not recognised the usefulness of the consumers' co-operative movement as a factor in checking profiteering and helping to regulate distribution of supplies. Latterly there have been indications of a change of attitude, and it may be expected that the rôle of consumers' co-operatives and societies in wartime will be more appreciated than in the past.

### *Industrial Producers' Co-operatives*

In the initial stages of economic revival in Palestine, producer co-operatives played a fairly important part. At the end of the last War there were no factories or industrial enterprises in the country worthy of the name. Absence of a home market, lack of Government assistance, poverty and the general difficulties of a backward country were sufficient to hinder large-scale industrial development. There were a number of craft workshops, and nothing more. Even during the period of immigration following the First World War there were few large-scale industrial undertakings, and the small industries which began to be established were technically and commercially unable to compete with the industrial giants of overseas.

Under such conditions the ground was ready for groups of workers who wished to establish workshops and factories along co-operative lines. They were urged to this not merely by economic but equally by social considerations. The Jewish Labour Movement in Palestine is not exclusively professional in character, but has a larger ultimate aim, namely, the establishment of a working society based on principles of co-operation and mutual aid, while the creation of co-operatives facilitates the provision of work in industry for young immigrants who had not learned any calling in their countries of origin.

Between the two World Wars a rapid process of industrialisation took place in Palestine. This has been accentuated since 1939, when imports from overseas were almost eliminated. Hundreds of factories have been established, producing a great variety of goods, and many millions of pounds are now invested in Palestine industry.

Producer co-operation has not kept pace with Palestine industry as a whole, nor has it made any great strides during the War years. Most of the co-operative producer undertakings must still be classified as ordinary workshops, at best they belong to small and medium size industrial undertakings, judged even by Palestinian standards. At the end of 1941 there were 47 producer co-operatives, additional to 8 co-operatives for passenger transport and 14 for freight transport, which will be discussed separately. The 47 co-operatives had close on 850 members, including about 500 temporary hired workers. These co-operatives chiefly function in the following branches: metal and electricity, 5; woodwork, 4; printing, 4; clothing, shoe-making and weaving, 8; baking, 7; and restaurants, 3. They function, that is, in callings which do not belong to the primary branches of heavy industry. Only isolated co-operatives (motor-bus chassis makers, printing presses and restaurants) hold an important position in their own branches. The remainder are of second or third grade and scarcely leave any impression. If we add that before the War (1937) there were 49 such co-operatives, with 950 members, it becomes clear that there has been virtually no progress since then. This is in contrast to the great progress there has been in private and other forms of labour-controlled industry not organised on co-operative lines. Many industries have, for example, been established in the agricultural co-operatives, particularly during the War years—there were 100 of these in 1942—and there were also a number of urban industrial undertakings established under the aegis of the Histadruth, though, again, not on a co-operative basis. All in all, in 1942 there were about 7,300 workers engaged in Histadruth industrial co-operatives and enterprises, constituting some 10 per cent of Jewish industrial workers in Palestine.

### *Transport Co-operatives*

Co-operative passenger and freight transport services, although little known elsewhere, have developed well in Palestine. The inter-urban and urban lines run by the co-operatives probably carry most of the country's traffic. The passenger transport co-operatives have some 2,000 members and employees, their capital amounts to £600,000, the investments in buildings, stock and machines to £360,000, and their annual turnover to £1,500,000. The first motor-transport services in Palestine were organised by Jewish drivers' co-operatives at a time when Palestine seemed to offer little

attraction to private enterprise, and much pioneering determination was needed to start uncertain ventures

These latter co-operatives had to face many difficulties. In the early days motor transport was a comparative novelty, the demand for it was small, there was the competition of the railways, the drivers' own inexperience, lack of repair facilities and spare parts. They have succeeded, however, in covering the country with an excellent network of motor communications and even under war conditions have maintained transport services at a high pitch of efficiency, despite the acute shortage of vehicles, spare parts and tyres.

### *Building and Contracting Co-operatives*

Another co-operative activity peculiar to Palestine is building and contracting, a product of the conditions prevalent in Palestine. In a country of immigration and new settlement, building and road construction were a primary need. The creation of a class of building workers no less than that of agricultural workers, was a national necessity for a people who had undertaken the establishment of their settlements from the foundations. This could best be accomplished by the organisation of co-operatives in which immigrants were trained for their new vocation soon reaching a high standard of efficiency.

The tremendous amount of building carried out in Palestine after the First World War, when the Zionist Movement engaged in lively settlement activity in town and country brought the General Federation of Jewish Labour face to face with the urgent necessity for establishing one large co-operative institution, or several such, to contract for the development schemes undertaken by settlement bodies, individuals and companies, Government and municipalities. Such an organisation was established in 1921 'The Central Works Office', in 1924 it received the organic form of the "Solel Boneh Ltd". After many vicissitudes Solel Boneh is still functioning successfully. Since 1930 the Tel Aviv Contracting Office has carried out works to a total value of £3,500,000 (in 1942 alone it executed contracts worth £700,000) including Army and Government work, work for municipalities and Jewish national institutions, the building of workers' quarters and co-operative institutions and works to the value of £1,250,000 for private clients. In 1942 the Contracting Office provided employment for an average of about 1,500 workers and at the end of the financial year its capital amounted to £100,000. The Office has also established a number

of its own industrial and works enterprises, a carpenter's shop, a lock-smithy, a stone-works, a factory for manufacturing pipes and other products of cement, etc

During the War years the Sold Bonch, the Tel Aviv Contracting Office, and various other contracting groups of the Histadruth have fulfilled functions of prime importance. They have executed military works to a value of many hundreds of thousands of pounds, perhaps even millions, ranging from the construction of temporary camps for the Army to airfields, complicated defence works, bridges, tunnels and ports.

### *Credit Co-operation*

Credit co-operation in Palestine developed almost from the beginning of settlement activities. This is not surprising. There were no commercial banks which could serve the requirements of the new immigrants, a large proportion of whom belonged to the middle-class and the "small-man" type. In the early years in Palestine they had not taken root to a degree making them desirable customers for private banks. Credit was needed to establish these settlers, and the most suitable method was through mutual aid and mutual responsibility. Each individual on his own was weak and unable to offer material security. It was natural, therefore, that personal guarantees (the granting of loans against the personal security of two or more guarantors) should serve the necessary function. This situation led to the rapid growth of credit co-operation on the Schultz-Delitzsch system (limited responsibility of the members for the affairs of the society), and played an important part as regards credit supply in both town and country. In 1939 there were 117 co-operative credit societies, with a membership of 85,750. They passed through considerable difficulties during the War years, but have stood the test.

A form of co-operative worker society, peculiar to Palestine, is the workers' credit society. The wage-earner is not generally regarded as a fit subject for the receipt of bank credit, and Palestine has been almost the only place in the co-operative world to engage in this particular form of co-operation. During recent years, it is true, there has been an appreciable development of credit unions among the workers of the United States.

The Jewish workers wish to establish their own economic units in agriculture, industry and transport. Even when they remain wage-earners in towns, or in the citrus industry, they wish to



establish their homes with a small holding alongside. They are worthy subjects for productive credits, as the following table shows

*Workers' Co-operative Credit Societies*

Societies	Members	Capital	Deposits	Loans Granted	Balance of Loans
1930 — 8	5,418	£7,000	£12,000	£52,000	£19,000
1935 — 25	20,750	67,000	245,000	422,000	338,000
1940 — 19	26,000	100,000	200,000	247,000	398,000
1942 — 20	26,800				

The problem of rate of interest in Palestinian credit co-operatives has found no generally satisfactory solution. The rate fluctuates between 8 per cent and 10 per cent. The reason for this relatively high rate is the high rate generally current in Palestine.

### *Co-operative Housing*

The provision of mass housing has been an important part of the social policy of well-established countries. Governments and municipalities devote considerable resources and effort to housing schemes. In a country of immigration, housing is of even greater importance than elsewhere. Government action is required to prevent speculation in land and building, but in Palestine the Government has stood aside from the problem. The co-operative housing movement has had, therefore, a particularly important part to play.

Here, too, a distinction must be drawn between the general co-operative movement and the workers' housing co-operatives. As a result of the housing pressure, many independent housing co-operatives were established, whose members usually possessed some means, and jointly purchased land, which was distributed among the membership for the erection of houses. In certain cases joint efforts were made to raise credits for building the houses, and roads and water-supply were provided collectively, yet the actual building was undertaken individually. These co-operative housing ventures were mainly sporadic efforts, with no established method of work.

Among the workers, housing co-operation has been widespread and very successful. A central company, "Shikun," was established with the basic function of organising in co-operative societies those who wished to be housed, of acquiring land for them both from their

own resources and from the Jewish National Fund (the National Institution of the Zionist Movement for the acquisition of land in Palestine), of preparing uniform plans, technical, architectural and financial co-ordination, negotiating with building contractors, finding mortgage credits, preparing roads and providing water-supplies

Workers' suburbs were built near the towns, mostly in the form of small one- or two-family houses with vegetable gardens. In the towns large joint dwellings were established, consisting of 100-150 apartments, which include consumers' co-operatives, kindergartens and halls for public meetings. There is joint ownership of buildings, each member being no more than a permanent tenant of the co-operative.

Workers' co-operative housing has progressed rapidly

*Workers' Urban Co-operative Housing*

End of 1931	150 apartment houses built	£80,000 invested
" 1935	1700 " " "	620,000 "
" 1940	3100 " " "	1,355,000 "

In addition, about 700 houses and dwellings for agricultural workers had been built in the settlements, representing an investment of about £100,000. These investments do not include the value of the land, which belongs for the greater part to the Jewish National Fund, and is leased permanently (on hereditary lease) to the housing co-operatives and their members.

Mortgage credits for building have been provided from a variety of sources—e.g. the General Mortgage Bank, English and Palestinian Insurance Companies, the Workers' Bank. The conditions of loans, as regards redemption and interest rates, vary considerably, fluctuating between 14 per cent and 6 per cent and between 8 years and 20 years. At the end of 1942, 60 per cent of the investments already belonged to the residents and only 40 per cent to the lenders, and certain of the co-operatives had succeeded in paying off their external loans. The War has, however, led to the suspension of all housing activity in Palestine.

*Central Institutions*

Much of the credit for Palestine's co-operative development falls to the central financial institutions which have rendered assistance to the movement, particularly in its early stages. These central banks were not, as a rule, established by the movement itself, out of its own resources, but by outside bodies. There is the Workers' Bank, established by the General Federation of Jewish Labour in

1921, which deals only with social or co-operative organisations and receives 7-9 per cent interest on loans "NIR," also established by the Labour Movement, chiefly supplies credits (at 7 per cent) to agricultural co-operatives. The Central Bank for Co-operative Institutions created by the Palestine Economic Corporation of New York (this Corporation was established by a group of American Zionists to promote the economic development of the country), with the specific purpose of assisting in the development of co-operative institutions of all kinds, is managed by a board elected by the Palestine Economic Corporation in New York and London, which appoints a manager to supervise the bank's activities in Palestine. The bank chiefly supports agricultural co-operation, also credit co-operation in rural districts. Its resources derive in part from share capital belonging to the Palestine Economic Corporation. Finally, there is the Anglo-Palestine Bank, established by the Zionist Movement. It has become the leading institution of the country as regards range of activities and financial resources. It functions as a normal commercial bank, but during recent years has opened a special section for work among the co-operatives, which has developed a varied range of activity and helps the co-operatives considerably.

#### THE PROGRESS OF THE JEWISH MOVEMENT AND ITS RELATION WITH THE GOVERNMENT

The progress of the Jewish Movement may be divided into two stages

(a) Progress prior to 1933, before the amending and consolidating co-operative ordinance was introduced following Mr Strickland's

Year	Societies on Register	Members	Resources (share capital, reserves and loan)
1921	13	796	£20,505
1922	33	6,735	142,401
1923	42	8,569	299,011
1924	65	14,781	503,285
1925	122	40,160	957,137
1926	145	52,501	1,111,554
1927	171	55,995	1,112,527
1928	198	62,587	1,323,952
1929	221	68,922	2,084,328
1930	261	75,359	2,404,660
1931	303	81,835	2,757,888
1932	376	93,445	3,440,490

visit, and the appointment of an active Co-operative Registrar and Staff. The preceding table shows clearly that even under early legislation, when Government policy was passive, the Jewish community proved competent to organise societies.

Of these 376 societies about 23 per cent were for the development of suburbs, over 32 per cent were for various agricultural purposes, 16.7 per cent were societies of industrial producers, co-partnerships of labour and transport societies, 4.5 per cent consumers societies, and about 2 per cent miscellaneous.

(b) Progress from 1933 onwards. The following table indicates the rapid progress made following the 1933 Ordinance.

Year	Societies on Register	Members	Resources (share capital, reserves and loan)
1933	474	119,981	£5,202,953
1934	543	148,451	7,567,683
1935	692	194,586	9,546,381
1936	770	220,295	11,136,056
1937	871	243,327	12,630,116
1938 *	993	274,897	13,160,810
1939 *	1028	287,651	12,675,610

\* Audit unions excluded

To facilitate relations between the Registrar and the Jewish societies a Jewish Co-operative Advisory Committee was set up early in 1934. The five committee members are leaders of the Jewish Movement representing

- (a) The Jewish Farmers' Federation of Palestine
- (b) The Audit Union of Credit Societies
- (c) The Workers' Bank
- (d) The Managing Committee of the Artisans' Bank
- (e) The Central Bank of Co-operative Institutions

This Committee has been the main source from which the Registrar obtained advice in all matters affecting the Jewish Movement. On no occasion was its advice disregarded and a friendly spirit has dominated relations between the Co-operative Department and the Jewish societies. There is also close collaboration between the Jewish Advisory Committee and an unofficial central body of the Jewish Co-operative Movement known as the General Council of Jewish Co-operative Institutions.

Improvements in the Jewish Movement following the 1933

Ordinance have been mainly in the field of stricter regulation of societies which are not truly co-operative, and the creation of central auditing unions. In accordance with the law almost all sections of the Co-operative Movement have established Audit Unions which serve to guide, supervise and control their members. There are two Audit Unions for credit societies and Audit Unions for the housing, consumer, producer and public service co-operatives. The work of the Audit Unions has met with approval in Government and co-operative circles, and demands have been voiced to compel all co-operatives to join the relevant Audit Union. Considerable progress has been made in overcoming the fundamental source of weakness in the movement, namely lack of cohesion between the various parts, which came into existence separately and function more or less independently of one another. In the five years from 1933 to 1937, 94 societies were ordered to liquidate and 101 declared defunct and struck off the Register. The majority of the societies ordered to liquidate were pseudo-co-operatives, whose members had no intention of practising co-operation.

### THE ARAB COMMUNITY

In structure and outlook the Arab community<sup>1</sup> is poles apart from the Jewish. How the community and its problems appear in the eyes of a co-operator can best be summarised in a quotation from the Co-operative Registrar's Report<sup>2</sup>

"The structure of the Moslem community is, as defined by the Royal Commission, quasi-feudal. The leaders are a small aristocracy of wealthy landowners. Next in the social scale comes a middle class of professional and business men in the towns and some prosperous owner-cultivators in the rural areas. But these two classes are small. The majority of the Moslem population consists of peasants (fellaheen). Some of these own their own land and some are tenants or cultivators on the estates of other landowners. Last of all come the Bedouin, mainly nomadic and largely pastoral, but who engage increasingly in primitive agriculture. The majority of the peasantry and Bedouin is illiterate. In spite of this illiteracy, the fellaheen are intelligent and possess an elaborate social organisation which contains many admirable

<sup>1</sup> It is customary to apply the term "Arab" to the Moslem and also to a large part of the Christian community of Palestine, and to regard their problems—political, civil, or economic—as identical. There are however great differences. The majority of the Christian community are professional and business men and only a small minority engage in agriculture. Their standard of education is generally good, they occupy numerous offices in the administration of the country and on the average enjoy a higher degree of prosperity than the Moslems.

<sup>2</sup> *Report by the Registrar of Co-operative Societies on Developments during the Years 1921-37* Jerusalem, 1938

features. They have their system of law and justice, of ownership, of morals, of village administration, and notably of mutual aid. In addition there are the common ownership of cultivable lands, grazing grounds, threshing floors, water wells, water wheels, animals for raising the water from the wells, and the employment of common watchmen, shepherds and even village barbers. These institutions, sanctioned by long tradition, have enabled the fellahen to survive many hardships. The fellahen are generally very poor. An air of poverty and depression pervades most Arab villages. The fellah bears a heavy load of debts which rob him of most of his earnings and deprives him of the capital required to improve his land or crops. Any additional effort made merely increases the usurers' share in the produce but does not benefit the cultivator to any great extent. The reasons for this state of chronic poverty and indebtedness are many: poor soil, lack of water, lack of knowledge of intensive methods of cultivation, bad means of communication with the towns, unsuitable marketing arrangements, frequent bad seasons and failures of crops, an antiquated land system, insecurity of tenure. In addition to these external reasons there are other reasons for the poverty of the fellah which are inherent in his character and approach to life. The Palestine fellah is placid by temperament but prone to fierce personal and family quarrels. He is easily swept by passion into a state of unreasoning excitement. The basis of his organisation is the clan. The boundaries of his world are the confines of his own village. It is noteworthy that at no point in Palestine history is there any evidence of collaboration between several Arab villages in any constructive undertaking. The situation is further aggravated by the fact that the fellah has no trust in any Government. Every action of the 'hukuma' [Government] is regarded by him as a trick to extort more taxation or to attain some other malicious end. Extortion and maladministration extending over many generations have had their inevitable effect. The combination of these factors have reduced the fellahen to a state of overwhelming poverty. The majority of them are hopelessly encumbered, and to all intents and purposes insolvent. Government has provided temporary relief by means of loans, subsidies, or reduced taxation. But it is recognised that fundamental changes are imperative if the fellah's position is to be improved permanently. His character must be stabilised and he has to gain the confidence that he can be helped if only he will learn to help himself first, control his instincts and persist in any given effort. But it is too much to expect that a downtrodden and oppressed peasantry can find its way to salvation alone and unaided. Reformers were needed to take the lead, but in view of the absence of cohesion between the classes the fellah was left to his own devices in a state of utter stagnation. It will be seen later that when the Government decided to accept Co-operation as a definite policy, the fellah responded willingly. As it was the co-operative legislation prior to 1933 remained to them a dead letter—a law and nothing but a law. The uninstructed peasantry naturally took no advantage of the opportunities offered by the law for a voluntary association of persons with common interests for purposes of mutual help, and no

co-operative societies were formed (prior to 1933) in the Arab villages. In the towns a few societies of transport workers and of citrus exporters and shippers were registered. Partly through lack of guidance, and partly through lack of persistence and mutual confidence on the part of the members, these societies made no progress. They dragged out a precarious existence for several years, until in the end they were liquidated."

Since 1939 the financial position of the Arab peasantry has greatly improved. With the cutting off of imports, and the large demands of the military, village produce fetches fabulous prices, and as much as can be produced finds markets. As a result, rural indebtedness has been very considerably reduced.

### *The Arab Co-operative Movement*

Mr C F Strickland visited Palestine at the end of 1930 on the invitation of the Government to inquire into the possibilities of developing a co-operative movement among the Arab population.<sup>1</sup> One of his main findings was that, if co-operative societies were to be developed among the Arabs, there was no alternative to an active co-operative policy on the part of Government. To this end he prepared draft co-operative legislation, the main points of which were embodied in the Co-operative Ordinance of 1933. Mr Strickland pointed out that no serious attempt at agricultural improvement could be made until the fellah had been relieved of his debts or made to realise that a sustained effort could relieve him of them. What was needed was a stabilisation of his character. Co-operative credit and thrift societies must be the first stage on the road, with careful internal control over borrowings and repayments. This would afford the Arab villager means of drawing together the threads of his social and economic life. Whilst Government took no active part in encouraging Arab co-operation prior to 1933, and all experiments failed, the position was reversed with the appointment by Government of an active Registrar with Jewish and Arab personnel, to assist him with their respective co-operative movements.

Towards the end of 1933 the Arab Movement entered upon its new phase of development under Government control and guidance. The formation of Arab societies became a primary function of the Registrar and his department. It was intended that he should pursue an active part, the chief element in which was to be the

<sup>1</sup> A detailed summary of Mr Strickland's investigation is given in his Report on *The Effect of the Palestine Sympathy League and Co-operation in Palestine, 1930*.

co-operative education of prospective members. Before starting the formation of societies the Registrar launched a campaign in villages and towns to bring home to the Arab populations the advantages of co-operation and to explain the process of forming credit and thrift societies as well as societies for social and economic purposes. Lectures were given to conferences, teachers, units of the police force, district officers, and to students and teachers at the Tulkaram agricultural school. The campaign in the rural areas was restricted during 1933 to 74 carefully chosen villages. District Officers accompanied the Registrar on his tours and were given an opportunity to become familiar with the theory and practice of co-operation. At the start caution was necessary. It was realised that a handful of well-taught, successful societies would do more good and be more creditable to Government than a host of uninstructed and erratic institutions.

The fellah's primary necessity was recognised to be controlled credit at moderate interest—not cheap credit, almost invariably imprudently used. Relations were established between Barclays Bank and the Co-operative Department in the matter of granting advances to co-operative societies. The bank was notified of villages in which societies were to be launched. Operations were not undertaken in villages where the bank already had large interests. Barclays Bank undertook not to criticise in detail the loans which a society gave to its members. This is the function of the Registrar and his staff and the bank accepts their decisions. The only security deposited by the society for the bank loan is a bond undertaking repayment within not more than one year from the date of issue. In the case of a society in which the members have additional debts, the members create a charge on their crops in favour of the society, and the society assigns this to the bank.

*Development of Arab Village Credit and Thrift Societies*

	Societies on Register	Member- ship	Share Capital Sub- scribed	Paid-up Share Capital	Own Funds	Loans to Societies by Barclays Bank	Loans to Members by Societies
1933	14	263	£1,330	£133	£194	£3,270	£3,405
1934	32	911	5,046	546	1,034	13,595	14,446
1935	61	2,420	11,365	1,709	3,481	39,013	42,329
1936	61	3,078	12,872	2,922	6,330	49,629	55,662
1937	121	5,121	19,034	4,595	10,492	59,456	69,371
1939	116	4,609		4,520	10,215	61,290	53,310
1941	115	4,591		6,325	18,428	17,735	33,759



The disturbances which broke out in April 1936 made it impossible after 1937 to form new societies in Arab villages, nor was any progress made in other fields of co-operation among the Arab population. The societies formed during the preceding years continued to be of great help to their members. They were able to enlarge their membership and increase their own funds to a limited extent. Arab societies continued to obtain all their borrowings from Barclays Bank in short-term loans. In spite of the unsettled conditions, with their resultant hardship to the fellahen, who lost their regular markets for vegetables and fruits, all societies except five could report regular repayments of loans granted to their members.

The progress of the Arab Co-operative Movement has been slower than was hoped for—partly because unscrupulous persons have attempted to use a few of the societies as centres of political intrigue. Nevertheless the achievement is greater than appears on the surface. Since the end of the disturbances in August 1939 the activities of the Co-operative Department have been restricted to keeping and auditing accounts, collecting outstanding debts, and nursing back to life the Arab societies formed up to the end of 1937. In the four years 1938 to 1942 only seven Arab societies were registered, but in the three years ending September 1941 the own funds of the societies increased considerably. The growth by more than 100 per cent (from £5,700 to £12,000) in the reserves of the Village Societies points to the financial potentialities of the Arab Co-operative Movement. During the last two years the village credit societies have repaid the larger part of their debts. The decrease in indebtedness reflects the generally improved position of the Arab peasants during the War, but it also reflects the inactivity of many societies, except for collections. It has been suggested that a major deterrent in the development of the Arab rural credit co-operatives has been the unwillingness of farmers to continue membership of societies with unlimited liability.

### *Conclusion*

Palestine, with its two communities each with its own customs, language and economics existing in water-tight compartments, presents special and delicate political and social problems. Their respective co-operative movements have followed different lines, though one Co-operative Ordinance provides a satisfactory legal basis for both movements. The special experience of the Jewish

community in adopting co-operative principles as the basis of its colonising activities, and in the upbuilding of a new country, is of high value in the settlement and development of new areas or reclaimed land in many parts of the Colonial Empire. The experience of the Arab Movement illustrates the need, so frequently emphasised in these pages, of active Government assistance in establishing co-operation among backward and illiterate communities. The economic situation of the Arab people of Palestine compares closely with conditions among many other colonial populations.

It may well be asked why the Arab and Jewish movements should continue on separate lines. The rapprochement between the Arab and Jewish farmers initiated by Sir Arthur Wauchope, High Commissioner for Palestine between 1931 and 1938, has not been encouraged, and what collaboration did exist was terminated by the disturbances of 1936-39, followed by the War. All that remains is joint representation of Arabs and Jews on Government Boards. So far the Government has discouraged suggestions which the Jewish co-operative institutions have made for helping to organise and finance Arab co-operative societies. It may be that difference of language and disparity in business experience between Jews and Arabs will necessitate the Arab farmers having their own credit, marketing and processing co-operatives. But when these have progressed, there may be considerable scope for co-ordination in central marketing and processing co-operatives.<sup>1</sup>

The development of a strong Arab co-operative movement, parallel to the progressive Jewish movement, and united, to begin with, in certain central associations, might do much to facilitate better relations between the two communities. But to achieve this a different attitude will be required from the Palestine Government.<sup>2</sup>

<sup>1</sup> A plan to unite Jewish and Arab transport co-operatives running along contiguous routes did not materialise because it was found that the so called Arab co-operatives were, in fact, private and profit-making companies in which the member-workers had little or no share.

<sup>2</sup> An interesting suggestion is that, in a country like Palestine, with its delicate political problems, progress might best be achieved by the help of an independent body like the Horace Plunkett Foundation, financed under the Colonial Development and Welfare Act. The example of Newfoundland can be quoted, when experts from the Horace Plunkett Foundation, with the consent of the local governments and outside financial support, visited the country and advised on the means and methods of co-operative development.

## NOIL ON JEWISH AGRICULTURAL CO-OPERATIVES

The Jewish agricultural producers societies in Palestine may be properly divided into two main categories in accordance with their principal objects

- (i) Societies for the management of co-operative or collective settlements—the *Kvutza* and the *Kibbutz*—in which all property is communally owned
- (ii) Societies for the management of small-holder settlements in which individual ownership exists

(i) *Kvutza and Kibbutz*—These are communal groups which manage and develop co-operative farms, pool their earnings, and keep common household. They also organise various industries in the settlement, market their products, purchase their requirements, assist members by mutual aid and by care for their sick and old, and maintain and educate the children. In other words they are very far-reaching experiments in communal living.

The two categories have identical constitutions and with few exceptions their members are affiliated to the General Federation of Jewish Labour. They are usually established on land belonging to the Jewish National Fund,<sup>1</sup> and are legally constituted bodies with perpetual succession. Members are admitted or expelled by the general meeting. The society owns all the property on and in the settlement, members own nothing privately and it is governed by an elected committee. The number of such societies at the end of 1937 was 110, but by the end of 1942 this had increased to approximately 150, with a membership in excess of 22,000.

The Registrar of Co-operative Societies in Palestine points out that "there is no basic identity between collective farms of the *Kolkhoz* in the U.S.S.R. and the two above societies." Indeed the two types have little in common either in origin or method of work, and any outward similarity fades away on closer examination. In Russia every member has his own cottage, cowshed, garden and livestock. The produce of the farm is controlled by the State, each farm receiving annually a production plan. The members are paid cash wages and also in kind. These payments are calculated on the basis of the working day. A member may receive higher wages if the quality of his work is above a certain standard and he may

<sup>1</sup> The Jewish National Fund endeavours to retain the increment in land values for the community as a whole by having all lands belonging to the Fund leased to farmers. The lands are inalienable.

be fined if he falls below it. None of these apply in the case of Kvutza or Kibbutz settlements. The latter serve as absorbing centres for large numbers of new immigrants and as training grounds for agricultural labourers. From the point of view of the community, the Kvutza offers all the advantages of controlled and planned mass production. It is well known in Palestine that for high-quality products, unadulterated milk, pure cream and exotic vegetables and fruits one can always turn to the Kvutza. There are few other institutions in the country which have acquired such a reputation or which have developed specialised farming for the market to such an extent. All the products, with the exception of cereals, are marketed through Tnuvah, and the grain through Hamashbir, as has been mentioned previously. These collective settlements have responded to the Government's wartime request for increased milk production. Jewish milk output increased from 35·1 million litres in 1939 to nearly 49·4 million litres in 1942.

(11) *Small-holders Settlements* —The settlers in these societies are individual cultivators, either proprietors or tenants of their own holdings. Work outside and inside the settlement is carried out on an individual basis, each member being entitled to the proceeds of his labour. Farms are held and managed individually, but certain branches and works are undertaken collectively. The society lays down the farming plan in the settlement and to a certain extent supervises the work of the individual members. Every member is bound to participate in any economic or cultural enterprise undertaken by the society collectively on a decision of the majority of the members in general meeting. In addition members are bound to observe certain principles in the working of their farms and the general conduct of their affairs. The collective undertakings usually carried out by these societies are cultivation of certain areas and products, irrigation and water-supply, sale of products and purchase of requirements, use of agricultural machinery and storage, guarding of property.

The societies negotiate loans for members against the security of their individual holdings, and sometimes act as surety for their members. They also manage institutions of mutual aid and provide education facilities for the children of members. In some cases cattle, stock and property are insured on a mutual basis. In September 1940 there were over 12,000 persons living in about 50 small-holders settlements affiliated to the Labour Federation. In recent years the numbers have not increased so rapidly as the communal settlements of the Kvutza type.

Major Orde-Browne stresses the fact that the problem of modifying the dietetic habits of the population, with their traditional dependence on rice (and that frequently of an over-milled variety), in favour of a large proportion of pulses, roots, green vegetables and fish, is largely an educational one. Such a fundamental change in habits would take time, but the effort is obviously worth making and one upon which all sections may well agree. Major Orde-Browne points out further that

"at first sight, it might appear that the foregoing change in the economy of the island would have an adverse effect on the labour supply for the sugar industry, this, however, is far from being the case, since local production and wage-earning can well be complementary, rather than competitive. The sugar industry will be relieved of the burden of a proportion of the workers who, for the greater part of the year, are really superfluous, since these will have an alternative means of support from their own gardens. The outlet of agricultural development will provide a solution for a growing unemployment problem, which must otherwise constitute a steadily increasing burden upon the sugar industry and an embittering element in the relations between employer and worker." <sup>1</sup>

These proposals for a planned development of the island's natural resources and the production of a greater diversity of foods for home use, supplementary to its staple export trade in sugar, are fully in line with the recommendations of the 1943 Hot Springs Conference on Food and Agriculture. This development should be accompanied by an increase in the efficiency of production through the introduction of better farming methods, suitable modern equipment where practicable, improved varieties of crops, soil conservation, drainage and irrigation projects, and a programme of education to help producers to understand better farming methods and achieve a higher standard of citizenship.

The part which the co-operative movement might play in achieving these ends need not be emphasised. Hitherto co-operative activity in Mauritius has been almost entirely confined to co-operative credit and thrift.

An Ordinance providing for the constitution and control of Co-operative Credit Societies was passed in July 1913. An Amendment in 1916 empowered societies to make contracts with their members for the sale of agricultural products. The statistics available for 1937-38 to 1939-40 regarding the Co-operative Credit Societies show the degree of progress achieved.

<sup>1</sup> *Labour Conditions in Ceylon, Mauritius and Malaya*. Report by Major G. St. J. Orde-Browne, Labour Adviser to the Secretary of State for the Colonies, Cmd. 6423, 1943, p. 76.

	1937-38	1939-40
Societies registered	35	46
„ liquidated	1	7
Membership	2,078	2,602
Members indebted	1,147	1,483
„ in arrears	185	166
Average amount of loan	R113	R116

As regards membership, however, it is to be noted that the figure for 1939-40 still falls behind that reported on 30th June 1930, viz 23 societies, with 2,781 members

The Credit Societies work on a basis of unlimited liability—which is now voluntarily assumed by the small planters, who used to be apprehensive of this responsibility—and loans are granted on personal security with the maximum of publicity within the societies, according to the seasonal needs of the members. The total amount loaned during 1939-40 was R275,102 as against R219,495 the preceding year, 96·27 per cent of the loans were for cultivation purposes, the remainder for purchase of cattle, repairs to huts, costs of notarial deeds, purchase of land and mortgage debts, marriage, medical treatment and funeral expenses

Co-operation has not yet been extended to marketing. Although sugar is grown both on plantations and by peasants, the cane is sold to factories at prices supervised by the Government. After manufacture, the entire sugar output is marketed by a syndicate. Minor crops such as hemp (all of which is marketed compulsorily through the Hemp Producers' Syndicate) and tobacco (marketed through a Government board) have also been a "closed door" to co-operative marketing. The potential new developments offer an unrestricted field for co-operative enterprise, and the possibilities should be fully investigated in the interests of the people, as distinct from the wealthier cultivators with large capital facilities.

A special section of the Agricultural Department, to deal with co-operation, under a Co-operative Registrar, has been established in Mauritius, but its activities have so far been limited in the main to the primary need of overcoming indebtedness, laying a groundwork of co-operative education, and building up a credit system through co-operative credit and thrift societies. According to the Registrar's Report the next few years are expected to be critical ones for the movement.

"The new legislation which controls cane transactions has, amongst other things, brought into great prominence the advantages which accrue from an active membership in a Co-operative Credit Society, and there will result a powerful urge to found a large number of new

societies as rapidly as possible. Competition between moneylenders and the Co-operative organisations will thus become even more bitter than it is at present. A continuance of experienced and sympathetic guidance during this period of development of the Movement is, therefore, of outstanding importance."

The cane farmers of Mauritius need credit to keep themselves during the growing season, and here co-operative credit societies have proved very successful.

This summary of the situation in Mauritius indicates that, in spite of steady progress, the work of the Department will have to be considerably extended if co-operation is to play the beneficial part clearly open to it in the future development of the island.

#### RODRIGUEZ

The island of Rodriguez is a dependency of Mauritius and has a population of about 11,000. The inhabitants are of African descent, not Indian, and their main occupation is subsistence agriculture and fishing. An Inspector from the Mauritius Co-operative Department is stationed at Rodriguez and at the end of June 1940 there were three co-operative credit and thrift societies—as against one in the preceding year—with 50 members, shares of £605 and Reserve Fund of £464. Co-operative fisheries appear to be the main possibility for new development, particularly for supplying Mauritius with an important article for the nutritional needs of its people.

#### CYPRUS

Cyprus (1938 estimated population 376,500) is second only to Palestine in its co-operative development—at least as far as British dependencies are concerned. It had the advantage of the early establishment of a separate Co-operative Department, and a Registrar and staff for the encouragement and guidance of co-operative associations, whose work has met with considerable success.

The co-operative movement in Cyprus is mainly concerned with credit and thrift, but it has also had achievements in the field of co-operative consumer societies, wine-making societies, co-operative associations of olive oil and kernel producers, and marketing organisations among producers of citrus fruit, raisins, potatoes, carob, etc. There are also agricultural purchasing societies, land leasing and purchase societies, a Co-operative Central Bank and a milling society. The first Co-operative Credit Societies Law was passed in 1914, and

was followed by the Co-operative Societies Law of 1923. These were consolidated in the 1939 General Co-operative Law for all types of societies, based in the main on the Ceylon Co-operative Societies Law.

In Cyprus the problem of debt has dominated the development of the co-operative movement. Many credit societies were developed early to tackle the problem, but a high proportion of them were on an unsound basis. In 1934 there were 324 credit societies, out of which 131 were classified as "bad," 71 "fair," 100 "doubtful" and only 22 "good." Deposits amounted to £25,551, but 279 societies had no deposits at all. The activities of credit societies at that time were mainly confined to the issue of long-term loans contracted from the agricultural bank. Very little short-term credit was given and for this the farmers were almost entirely in the hands of moneylenders.

From 1935 onwards, the Department of Co-operation undertook the task of reorganising these societies on sound lines. In 1936 an arrangement was made whereby long-term loans due by societies to the Agricultural Bank were transferred to individual borrowers who would pay direct to the Bank. Societies were thus free to devote themselves to their true purposes—the encouragement of thrift, the granting of short-term credit, and collective supply and marketing. Many societies existed in name only, and it was found necessary to cut much dead wood from the co-operative tree. Thus the number of credit societies decreased from 324 in 1934 to 262 in 1937.

In 1937 the Co-operative Central Bank was founded. The Bank is a co-operative society with societies as members. It started operations in 1938 with 71 societies as members, and the necessary finance was provided by Barclays Bank. The Co-operative Central Bank provides short- and medium-term credit to its member societies, accepts deposits and also provides societies with such essential commodities as fertilisers, sulphur and seed potatoes.

Since 1937 the history of the co-operative movement has been one of steady progress. In the last nine years membership has trebled, deposits have increased twenty times and societies have built up reserve funds amounting to £100,000. The Co-operative Central Bank has built up a reserve fund of £24,000 and deposits of over £300,000 and is now independent of outside finance. During the war years the co-operative societies provided a useful distributive organisation which the Government did not hesitate to use. They have distributed rationed commodities, fertilisers, sulphur and seed potatoes, supplied by the Co-operative Central



Bank, have passed through their hands to producers. They have acted as agents and bankers for the purchase of cereals, olive oil and other produce, they are actively assisting in the marketing scheme for perishables and they have sold thousands of Government bonds and savings certificates to the rural population. The credit societies have thus been changing into "multi-purpose" societies.

The problem of debt is well on the way to solution in Cyprus. In a speech to the Advisory Council at the end of 1944 the Governor of Cyprus said

"Mortgage indebtedness has been reduced by almost a half since the war began and this year's number of forced sales is the lowest for over ten years. During the past year it is estimated that the debt burden in movable property has been reduced by no less than £160,000. It is not too much to say that during the past four or five years the rural population has been able to free itself from the indebtedness which a decade ago was the principal obstacle to agricultural development.

"That is a fact of first importance. It has been achieved partly by the high prices for agricultural produce paid during the war, and partly by military employment. Another most important contribution towards this result has been made by the Debt Settlement Board which is now completing its four years of admirable work. There have been nearly 15,000 applicants to the Board and altogether debts amounting to £1,250,000 have been settled.

"The task which we must set ourselves is to ensure that the rural population does not again fall a prey to the moneylenders and it is therefore our policy to do everything possible for the development of collective marketing and the provision of cheap credit through co-operative societies.

"Seventeen new co-operative societies have been registered during 1944, bringing the total to 379. (The significance of this figure can be better appreciated when it is borne in mind that the total number of towns and villages in Cyprus is approximately 600.) The total membership of societies now exceeds 46,000 and, assuming each member on an average represents at least three persons, it can be claimed that the movement is directly benefiting well over a third of the population, and deposits in the societies have increased from £117,105 at the outbreak of war to over £500,000 this year. During the same period the number of member societies of the Co-operative Central Bank have increased from 22,037 to 550,000. The Bank, which was originally financed by Barclays Bank, has now become independent of outside borrowing and will be in a position to make substantial loans to societies during the post-war period. £78,000 was issued in loans by the Bank in 1944, bringing the total advance to £486,000, of which £425,000 has been repaid. The interest rate on loans to members of societies has been reduced in most cases to 7 per cent, and a few societies lend at 6 per cent and 5 per cent, and one at 4 per cent."<sup>1</sup>

<sup>1</sup> Report of speech in the *Cyprus Post*, 16th November 1944

This speech ended with the announcement that, to enable the Department to fulfil its important task, the Comptroller of Supplies would be free in 1945 to devote the major part of his time to the Department of Co-operation. A Deputy Registrar would also be appointed, and there would be an increase in the number of inspectors and supervisors.

The non-credit side of the movement is still in its infancy, but the number of Co-operative Stores increased from 8, with 419 members, in 1936, to 16, with 1,263 members, in 1939. The Registrar's Report for 1936 states that the grocer problem, like that of the moneylender, had to be faced and that the only way to fight too easy credit, exploitation and doubtful weight was by the establishment of co-operative stores in the villages. This, however, met with bitter opposition on the part of persons with interests likely to be affected.

#### OTHER COLONIAL TERRITORIES

*Seychelles*—A Co-operative Credit Societies Enactment was passed in 1923, but, according to the official *Report on the Social and Economic Progress of Seychelles* in 1938, there exists only a Government Savings Bank.

*St Helena*—Although the Law relating to Friendly Societies has been in existence for some time, and was amended in February 1939, no information is available with regard to co-operative organisations functioning under the law. According to the official Colonial Report the Government Savings Bank is the only banking institution on the island.

*Fiji*—The Friendly Societies Ordinance of 1878 has remained in force unchanged. No co-operative activity seems to exist among Fijians and Indians,<sup>1</sup> although ten or eleven years ago the Government of Fiji was considering the promotion of co-operation among Indians in order to encourage thrift and self-help amongst small farmers and persons of limited means. Europeans settled in Fiji have some co-operative associations for handling a part of their copra and dairy produce.

The production of sugar, the principal industry, is conducted by the Colonial Sugar Refining Company. Production itself is mainly in the hands of East Indians, who farm small holdings under leases from, and under the supervision of, the Company. The latter is

<sup>1</sup> In 1939 the total population was estimated at 215,000—102,750 Fijians, 95,000 Indians, 2,000 Chinese, 4,300 Europeans, the rest being persons of European and native descent and Rotumans.

responsible for ploughing and irrigation, and buys the cane for grinding

Two-thirds of the production of copra is in the hands of Fijians, who dispose of the bulk in small quantities to coconut stores near their villages

The official *Report on the Social and Economic Progress of Fiji* for 1938 states that there are many minor products which can be produced, and suitable for small holders, hitherto there has been no marketing organisation for such products, but a considerable sale should be possible. The Report expresses the hope that it will be possible to provide an organisation to bridge the gap between producer and consumer

*Gilbert and Ellice Islands*—These two groups of islands have a population of 27,000, of whom only a few hundreds are Europeans, the natives are Polynesian. The most important plant grown is the coconut-palm

An Ordinance relating to registration and regulation of native co-operative societies was passed in 1940, according to which a society with more than 50 and less than 200 members, and having as its object the promotion of the economic interests of its members in accordance with co-operative principles, may be registered. Each member has one vote, and the rules and by-laws of the society must prescribe how the net surplus is to be distributed amongst the members. The Resident Commissioner is the Registrar of Co-operative Societies, responsible for their supervision and guidance. An annual audit must be carried out, either by the District Registrar (appointed by the Registrar) or a person authorised by the Registrar. The name "co-operative" may be used only by societies registered under the Ordinance.

According to the official *Report on the Gilbert and Ellice Islands Colony* for 1937, co-operative societies for the marketing of copra had already been established in nearly all the islands, during 1937 they enjoyed considerable success owing to a welcome rise in the price of copra, the sole marketable commodity of the islands. Legislation to regulate their activities was under consideration at the time, and the Report states that the forthcoming enactment was expected to assist greatly in encouraging the societies "which are progressive in spirit but require a certain measure of guidance."

Chapter X

CREDIT AND THRIFT SOCIETIES AND THE  
SPECIAL PROBLEM OF INDEBTEDNESS

DEBT AND THE SMALL PRODUCER

Debt is the great handicap of the colonial peasant. In Malaya and Ceylon peasants are in debt to shopkeepers, traders and village moneylenders, in West Africa to brokers and other middlemen, in Mauritius, Zanzibar, Trinidad and British Guiana indebtedness is widespread, indeed, no Colony appears to be entirely free of this scourge. In many the peasants' small crops are usually pledged before they are grown. Rates of interest are high, 50 per cent being unusually low, and holdings are mortgaged with no hope of redemption. The results are manifold and wholly evil. Most of the peasant's income goes direct to his creditor, he lives on the barest subsistence-level, he is deprived of all incentive to work or to improve his methods of cultivation or choice of crops—indeed, any improvement or increase in effort would benefit only the moneylender, he is compelled to sell to his creditors and therefore receives a price well below the market-level, at the same time he is unable to take advantage of co-operative marketing and processing. Indebtedness is an obstacle to all progress and any attempt to introduce new techniques or to improve the standard of living, by whatever means, comes up against this stumbling block.

This chapter will therefore analyse in some detail the causes of indebtedness and the important part that co-operative credit can contribute to any constructive policy for permanently removing the debt burden. It was once usual to emphasise the improvidence of borrowers as the prime cause of widespread debt. It is now realised that improvidence is a characteristic of unsound credit and that the evil can be overcome by the introduction of a proper credit system, carefully safeguarded to offer the borrower such help as he

may really need, and no more It must also be accompanied by education

To illustrate the question here is a description of a village in Ceylon and its debt problems <sup>1</sup>

"The Sinhalese do not appear to work very hard The family holdings are small, perhaps from a quarter to two acres of paddy and a similar amount of hillside, the great majority subsist on less than three or four acres altogether, without much aid from livestock The customary method of raising paddy is primitive, there is little, if any, careful preliminary cultivation, buffaloes are hired to drag a simple plough, more exactly a one-toothed hoe, through the mud, and the seed is broadcast There is no transplanting, weeding or roguing The consequent poor return barely suffices for the family needs and little enters trade, in many places there is more scope for expansion than enthusiasm at the prospect There is no rotation to speak of, rice follows rice, with two monsoons a year, rain every month and numerous rivers and streams, irrigation presents little difficulty

"Apart from rice, almost the only other seasonal crops are fruits and vegetables, the wealth of Ceylon lies in its perennial trees and bushes Patches of hillside are put under millet, vegetables, and such fruits as pineapple, mostly for family consumption, though a little finds its way to the weekly fairs In numerous villages the prehistoric custom of shifting cultivation survives in full force, patches of jungle are leased from government, the growth is burnt and the land cleared for one or two crops of vegetables and then abandoned to jungle again The people say the soil will not stand more though there is hardly any sign of regular manuring The jungle growth does not indicate a strong soil, the trees are for the most part of no economic use and the annual addition of humus appears to be washed out by torrential rains The Sinhalese are not great stock breeders or herdsmen, and the cultivation of fodder crops seems to be unknown, so that the usual source of manure is not available The small area under fodder and the omission of animal husbandry are the striking features of village economy 'Almost every family has its bit of roughage, bearing in their due season a variety of fruits Coconut, rubber, cocoa and tea provide ready cash and require little recurring expenditure on cultivation, there is still a little coffee and cinnamon seems to be reviving Areca nuts, limes, oranges and mangoes are common, and the beautiful mangosteen can be grown in selected areas Of the vines, betel and pepper are widespread, ginger, cloves, nutmeg and mace are less common, but plantains, yams, jak and breadfruit, papaw and durians are everywhere Minor products include kapok, caju nuts and the jaggery and treacle from the palm In all cases, once the plantation is complete, the yield continues for years with the occasional expenditure of a few shillings an acre Little intelligence seems to be devoted to

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<sup>1</sup> Paper on "Co-operative Credit" by H. Calvert, prepared for the Fabian Colonial Bureau

improving either quality or yield, even the citrus fruits are not grafted. The ease with which this varied perennial income is obtained serves as a potent deterrent to exertion, the coconut-palm with its hundred uses is blamed for the lack of worldly ambition, and now that the charcoal from the shell is in such great demand for gas masks, the villager benefits still more.

"As regards industries, the village has little to boast of, the greatest is fishing with its allied trade in the dried product, the coconut-palm provides raw material for a number of articles made chiefly by the women, the passion for good houses provides work for carpenters, masons and tile-makers, but their output is not remarkable for skill or artistry. As Ceylon does not grow its own clothes, there are no weavers, the absence of animal husbandry accounts for a corresponding absence of tanners and leather-workers, and the general backwardness in handiwork is illustrated by the pottery industry which has not yet advanced to the stage of the stone wheel.

"A further feature of village economy deserves mention wherever a people live amidst forests, they usually have found a multitude of uses for wild produce, indeed, the wealth of such produce is apt to be associated with poverty in agriculture. In Ceylon, the wild produce is of small economic value, there is firewood, but a tropical village needs little, there is timber for housing but simple people only require this at long intervals. Apart from honey, edible berries and medicinal herbs, the forest adds little to the wealth of the village, the trees themselves are of no practical value and their exploitation affords no scope for labour."

There is a threefold origin to the debt burden. The debt may have been inherited from parents, being passed on with enhancement to succeeding generations. It may have been incurred for short-term, intermediate, or long-term productive purposes, or it may have resulted from unproductive expenditure, such as burials, weddings, ceremonies, sickness, education of children, or purchasing luxury consumption goods beyond the peasant's means. The two main ways in which debts are actually contracted are by pledging future crops as security for loan on goods supplied or in repayment of previous debts or else by mortgaging holdings, or selling parts of existing holdings with consequent excessive subdivision and fragmentation of holdings. How are these problems to be tackled? Many different methods, other than co-operation, have been tried and proposed—all have their drawbacks and limitations. It may be of interest to glance at some of the alternatives.

(a) *Government Loans to Cultivators*—Government loans to small peasants in backward countries are expensive and often fail to give any benefit, owing to the harassment of borrowers by petty officials at the time of borrowing and at the repayment of each instalment.

The borrower also has usually to go to a distant place to borrow and repay. The classic example of well-intentioned but disastrous lending by the State was the Agricultural Bank of Egypt, Egypt was then under British administration. The practical disadvantages of Government lending are not always realised by those who have not had personal experience of administration.

(b) *Limitation of Rate of Interest and Penalising of Usury*—This proposal, which seems attractive, is a delusion. It is very easy to evade by false entries and fictitious sales of goods which never pass, the legal maximum tends to be enforced by the courts of law irrespective of circumstances, and it hampers an honest lender who wants to finance an honest business at high risk. It was quite ineffective in the Roman Empire, the Turkish Empire, medieval England, Hungary, Germany, Switzerland, the U.S., and in East Africa to-day. It is harmful as well as futile because it leads reformers to think they have done something for the debtor, and to turn away from the question.

(c) *Mortgage Banks*—There are no examples, except in India, of successful mortgage banks amongst backward people. They are most difficult to found on sound lines and to maintain fluid. The security must be the land, and no government wants to sell up its cultivators in case of default. The power to mortgage agricultural land has been an almost unmitigated evil in backward countries.

(d) *Debt Conciliation Boards*—These examine the affairs of the debtor and reduce his debt to a figure within his capacity to pay. But this is, in essence, a declaration of the debtor's bankruptcy, it damages his credit, and involves complicated legal proceedings.<sup>1</sup> Some Indian provinces have set up such Conciliation Boards, but their working needs careful study before their extension can be suggested with assurance.

## THE CO-OPERATIVE CREDIT SOCIETY AND ITS FUNCTIONS

The co-operative credit society offers the best way out of many peasant debt problems, and it is in the sphere of intermediate and short-term productive borrowing that the society serves its most useful function. Productive credit is of three types. Long-term credit is required for twenty years or so, to buy land, a house, or some other semi-permanent investment, intermediate credit is needed for five years or so, to buy machinery and equipment, short-term credit for six months up to a few years, to purchase cattle,

<sup>1</sup> Mr H. Calvert dissents from these criticisms. He points out that the Boards do not damage but only restrict credit, and claims that the legal proceedings are not complicated.

seeds, pay wages, or cover other expenses of growing or harvesting the crop

In tribal communities where land is held communally and houses built cheaply with the help of friends, there is no need for long-term credit. But in a community such as the West Indies, where the peasant has to buy land, there may be great need for such a facility. A co-operative credit society, on the other hand, is unlikely to have funds large enough to tie up for so long, and would not be willing to, if it had, because of its fluctuating membership. Loans of this nature are best made by Government loan banks such as are found in Jamaica to assist the peasant in land settlement schemes, or by building societies (of which there is a shortage in the Colonies). Intermediate and short-term credit are the most effective forms of activity for co-operative credit societies.

The rôle of the Co-operative Credit and Thrift Society is well described in this paragraph <sup>1</sup>

“No government organisation, however benevolently intentioned, can reach the great mass of its people scattered over the whole of the area under its administration even in a wealthy country where an unending increase of civil servants is regarded with complacency. In the comparatively less developed Colonies, only the mere fringe of the problem could be touched by this agency. As a means for reaching the last man in the last village Co-operative Credit has no rival, except the moneylender, it offers the only method of proved merit for reaching the people as a whole. It is the only practical alternative to usury.

The source both of strength and of weakness of Co-operative Credit and Thrift Societies and Banks rests in the character of the people served. Experience has indicated that it is useless to start a co-operative credit society in an unprepared soil. In villages of the kind described above, little is known of banking principles or of the bases of sound credit. Where literacy is so limited, more cannot be expected and so there has to be much preliminary work in preparing the ground, and this in turn requires a staff thoroughly qualified for the work by long and careful training. Without these, it is a waste of time and energy to introduce co-operative credit.”

To acquire legal status these small village credit societies require a much simpler law than, for example, the Companies Act, with greater powers of direct supervision and audit. The widely different conditions existing even in a single Colony necessitate much of the detail being dealt with by rules which can be modified to suit particular conditions. The basis of effective legislation has, however, been evolved through many years of bitter experience and failure, first in the great co-operative laboratory of India, and later

<sup>1</sup> Paper by H. Calvert, quoted above



in Malaya and Ceylon The existing co-operative laws of Malaya and Ceylon, although not identical, do provide conditions under which a co-operative credit movement can develop on sound lines The registrars do not act merely as registering officers, but, with their staffs, are mainly concerned with guidance and supervision of the societies, ensuring that these are run on proper lines

When a number of primary societies have been established, the next stage is the formation of Central Banks, or Co-operative Banking Unions These latter limit their members to societies only, whereas Central Banks cover a wider field The business of the primary credit societies forms the major part of their activities, which include attracting deposits from outside sources and town workers The Central Banks and Unions have the right to inspect the accounts of affiliated societies, to see the audit report and to frame their policy towards each society on knowledge so gained, coupled with their own experience of past transactions They may undertake considerable supervisory and educational activities

There has been some argument as to whether the unproductive borrowing (for weddings, funerals, etc.) with which colonial peoples too often burden themselves should be included in the scope of the credit society It is not always possible, in poor communities, to draw a fine distinction between productive and unproductive loans Some "unproductive" expenditure, e.g. for food or clothing, may be essential It may be necessary for special care to be taken before co-operatives make advances in circumstances where repayment is highly dubious, and it may be that unproductive expenditure can be better financed by other methods (though insurance societies are still a long way off in many Colonies) On the other hand, there are advantages in the co-operative society undertaking "unproductive" lending as well—a new sense of responsibility regarding extravagant and useless expenditure will be bred in the members, who would otherwise continue to get themselves into hopeless entanglements with moneylenders

How do co-operative credit societies create funds to be loaned to their members? In all societies it is usual to include promotion of thrift among the objects<sup>1</sup> Many societies term themselves "thrift and loan" rather than credit societies, but the object is identical

<sup>1</sup> *Note by Sir Malcolm Darling*—"Personally, I think it important that all credit societies, where conditions are at all primitive, should emphasise thrift in their designation, others use thrift as an object of such societies is in danger of being almost completely forgotten, and ultimately it is the more important object of the two The comparative failure of the Co-operative Movement in parts of India is largely due to the importance of thrift having been forgotten"

Once a society of ten or more small holders has been formed, it is entitled to accept deposits which may be used to make loans to its own members. Each member must be approved by the society as honest, industrious and reliable. Loans are granted only for promotion of economic interests, direct or indirect, that is, either directly productive purposes or to prevent borrowing from other sources until the next harvest brings relief, or for such real necessities as education and medical assistance. To protect the depositor, the society requires each member receiving a loan to provide two sureties, who are also members of proved character. Further, members accept joint liability to make good any deficit in the society's assets, so that if a loan cannot be recovered from the original borrower, or his sureties, the society can call on all the members to contribute to liquidation of the debt. Although liability is usually "unlimited" the society protects its members by deciding at a general meeting the maximum sum to be available for loans during the ensuing year<sup>1</sup>. Further, the society adopts measures to ensure, progressively, a surplus of assets to meet bad debts. All profits go to reserve so that a bad-debt fund may be accumulated as soon as practicable, and members are usually required to make a regular small share contribution which also goes to the bad-debt reserve fund.

Such precautions, usually made compulsory by the society's constitution, together with regular audit and proper supervision in the early stages, inspire confidence, which increases year by year wherever good management avoids bad debts and strengthens the reserves. The cumulative result of a steady accretion of share capital and profits which are added to reserve is to relieve the society from dependence upon outside help until it has created sufficient funds of its own to meet the needs of all members.

After a few years' operation many of these primary societies have a considerable surplus over immediate requirements. Such surpluses are deposited with the Central Bank or Union, which in turn uses its funds to meet the requirements of more needy societies, or to assist new societies being established in its area. Outside financial assistance may only be required in the first stages of a village credit society's development, if it is in an area where there is no established Central Co-operative Banking institution.<sup>2</sup>

<sup>1</sup> Credit societies of this type, with unlimited liability (often termed Raiffeisen societies), are most commonly adopted in the Colonies, but there are a number of Schulze-Dehtzch societies with limited liability. The Jewish credit societies in Palestine are without exception of the latter type.

<sup>2</sup> In Palestine, Barclay's Bank has always taken an active interest in financing the

It might be thought that in backward areas, where cash transactions are rare, co-operative credit has little to offer, but such is not the case. Credit societies may advance seed and food in kind, or cash to meet payments for rent or government demands. Repayment is made at harvest-time in the form of crops. From these sufficient is stored to meet probable requirements for seed and food, and the surplus sold, the proceeds being held by the society. When an active Agricultural Department is anxious to introduce a selected type of seed, this will be advanced to the members, whose surpluses are then sold or held at the disposal of the Department on an agreed basis. These so-called grain banks have the advantage that cultivators are generous with their crops at harvest-time and will pay more readily in kind than cash. The accumulation of reserves over a few years enables the society to expand its usefulness to storage, equipment, etc., for the benefit of members. In all other respects a grain bank works on the same lines as a co-operative credit society on a cash basis.

To conclude this picture of co-operative credit, reference must be made to its intrinsic educational value among members. This has been described as follows<sup>1</sup>

“Co-operative Credit is a strictly business organisation, all transactions must be carried out on strictly business lines. There is little room for sentiment in banking of any kind, and there should be less amongst mere beginners at the game. The society aims at the material benefit of its members, it seeks to promote their economic interests. It has no direct object to develop moral strength or to encourage other desirable attributes. Sir Horace Plunkett wisely placed Better Business and Better Farming before Better Living, for the last will follow the other two. So in co-operative credit, it seems to possess great educative value, the members handle money, both other people's and their own, they handle it in the interest of their fellow-members and this interest must be ever to the fore in all their dealings and discussions, true, each member shares in the benefits but only in association with his fellows. It is this human touch to a strictly business society that develops the character of all concerned. Honesty, punctuality, trustworthiness and fair dealing come to have a value in the daily affairs of these small villagers. The proverb places honesty on the low plane of the best policy, but co-operative credit soon shows that decency and

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co operative movement, both Arab and Jewish. A special and somewhat unusual feature of the loans to the Arab co operative credit societies is that Barclays Bank supplies nearly all their funds. These societies have only a small capital of their own, made up of share capital contributions and undistributed profits, viz, the difference between the 6 per cent interest charged to the societies by Barclays Bank, and the 9 per cent charged by the societies to their members after deduction of working expenses. Barclays Bank has also supplied considerable financial assistance to most of the Jewish Co operative Central Banks, and to the co operative citrus marketing societies.

<sup>1</sup> Paper on “Co operative Credit,” by H. Calvert (referred to above)

good character are not merely good policy, but good foundations for a better standard of living, and that persistence in these qualities develops them by bringing encouragement of a practical nature which everyone can understand. The frequent discussions of village problems, village difficulties and village possibilities are not only highly educative but stimulative, and there follows the searching for ideas and means to bring yet more benefit to all through the efforts of each combined. There is no need to stress the moral advantages to be gained, they will appear in their due course wherever a sound society for co-operative credit is at work."

#### COMPREHENSIVE PROPOSALS FOR THE RELIEF OF INDEBTEDNESS

Where co-operative credit and thrift societies have taken root, many thousands of small producers in the Colonies have achieved freedom from debt and ability to control their own affairs. But co-operation has been confined so far to a very small proportion of those needing assistance, and has as yet only touched the fringe of the debt problem. If more rapid progress be desired, and public interest cannot wait on the steady advance of the movement, then it will become necessary to deal radically with the position, and drastic State intervention will be needed. We put forward a programme of action needed for a frontal attack on the whole problem of debt.

##### (1) *The Prevention of Future Indebtedness*

(a) Prohibition of liens on future crops except to approved organisations, such as a co-operative marketing association, compulsory marketing board, or bank. Control of land mortgages to restrict the use of land as the basis of credit.<sup>1</sup>

(b) Arrangements for ensuring an efficient marketing system for the producer. Commercial crops should be sold through co-operative marketing societies or compulsorily through Government boards, or at recognised marketing centres under Government control, which will ensure optimum prices, proper weighing facilities, and fair conditions for even the smallest producer.

(c) Credit for productive purposes. The provision of adequate credit facilities at reasonable terms for essential productive needs as follows

- 1 *Short-term Loans*—The only practical means of meeting the individual short-term loan requirements of the small producer is through co-operative credit and thrift societies or

<sup>1</sup> Legislation along these lines exists in the Punjab

co-operative marketing societies which also extend credit facilities to their members. There must, however, be no duplication of credit agencies, or competition between the credit and the marketing society. The real security for the loan from either source is the crop, which should not serve as security twice. It is usually desirable that the credit society should be separate from the marketing society. The credit society requires to be so small that every member knows every other, while the marketing society, to be economical, may have to operate on a fairly large scale. In West Africa the cocoa-marketing societies have successfully served both functions, but even here it seems essential for the banking and marketing unions of the small primary societies to develop separately.

The general difficulty of making relatively small loans through joint stock, agricultural, or Government banks is that the expense of valuing lands, verifying titles, supervising the application for and repayment of the money, etc., is prohibitive. Only large loans, or loans for long-term purposes, can carry the overhead charges. This latter remedy is therefore scarcely suitable for the small peasant.

- ii *Intermediate Loans* —For the small producer these can be made through the co-operative credit and thrift society, particularly when it is linked with other primary societies in Central Co-operative Banks or Unions. The latter do not loan to individuals, but are prepared to make advances to a trustworthy member society. Under certain conditions this form of loan may also be dealt with through joint stock, agricultural and Government loan banks, or co-operative marketing societies which serve both functions. As in the case of short-term loans, care has to be taken to prevent duplication of loans.
- iii *Long-term Loans* —Co-operative Housing or Building Societies, joint stock banks or direct Government loans are probably the best instruments through which essential requirements under this heading can be met. The long-term requirements of the small peasant are remarkably small.

(d) *Unproductive borrowing and credit* Credit trading in consumption goods, i.e. other than those required for essential productive needs, has been a potent factor in unwise and wasteful spending leading to indebtedness. This is particularly the case in

rural areas, where the village shopkeeper and moneylender usually has a virtual monopoly. Amongst poor people the tendency is to live up to the limit of credit. Improvidence is largely due to the village moneylender actively encouraging the consumer to buy more than he can afford, with the inevitable result that the villager not only incurs a debt at a usurious interest rate, but becomes tied to the moneylender both as consumer and producer. This system of consumers' credit has led to harmful customs and practices which in many Colonies are well on the way to becoming traditional. Amongst these are excessive expenditure on weddings, ceremonies and burials, through one of which a peasant may become saddled with debt which he cannot pay off in his lifetime. Other causes of borrowing and indebtedness are the too frequent cases of sickness and excessive litigation. There is no single panacea for this problem of unproductive borrowing. It must be tackled resolutely and the following lines of action are suggested:

- 1 *Consumers' Co-operative Societies*—The need for an efficient distributive service and the education of the consumer in wise spending and thrift is overdue. The important part that consumers' co-operative societies can play in providing the consumer with sound goods at low prices, the substitution of cash for credit trading, limiting expenditure to income, promoting thrift, and creating an instrument through which dietary and nutritional standards can be improved through the education of the masses of consumers, is dealt with more fully in a following chapter.
- 11 *Better Living Societies* aiming at the abolition of harmful customs, the discouragement of wasteful expenditure, and the substitution of arbitration for litigation, have proved their value in Ceylon and Malaya, as a powerful instrument in creating a changed outlook and drawing together the threads of village social life in a progressive manner.
- 111 *Co-operative Savings Banks, Thrift Societies, Friendly Societies* (such as those with which the West Indies is honeycombed), *Burial Clubs, Insurance Societies* are all instruments for encouraging thrift, and can prove of value as media through which progressive ideas and education can reach the consumer. Such agencies are particularly useful in emergencies, such as sickness, death, poor harvest, weddings, which a man may not be able to meet however carefully he has husbanded his resources.

- iv *Education* should be provided for in an education policy, and not be a drain on the limited resources of peasants and workers desirous of giving their children a better education than they themselves enjoyed

(c) *An adequate land-tenure scheme* A sound land-tenure policy should prohibit the mortgaging of land (which has proved a most serious evil in the past) together with excessive subdivision and fragmentation of holdings. The extension of communal, state or co-operative ownership of land appears to be the essential basis for such a policy

## (2) *Relief of Existing Indebtedness*

Whilst it is clear that action based on these diverse proposals would substantially prevent future indebtedness, the fact still remains that many small colonial peasants have already incurred or inherited a burden of debt which they cannot, in terms of previous standards of income, repay in their lifetimes. Each individual's debt may be small, but so has been the average income. If the above proposals are put into practice the existing moneylenders will no longer be the channel through which the small producer will dispose of his crop. With the provision of a sound credit and retail service, the other main sources of the moneylenders' revenue will also be gradually closed, and it is to be hoped that they will find fresh employment where their services (and usually expert knowledge) can be made available, but this time for the benefit of the community.

There will still, however, be considerable outstanding debts due to them from their previous activities. Various methods have been suggested for removing this obstacle to the final release of the peasant from debt slavery. These suggestions may be summarised as follows:

(a) The proposal has been put forward "that a fresh start should be made as in the United States of America under the New Deal, by Government taking over the mortgages." This, it is suggested, "has been an urgent need in Malaya, in Ceylon, in Zanzibar and in parts of West Africa. Let Government raise a sum sufficient to pay off the moneylender, and let it take over the mortgages. It cannot absolve the peasant from repayment since this would be putting a premium on extravagance, and discriminating against those peasants who have refrained from unproductive debt. But it can reduce the rate of interest to levels which will make repay-

ment more likely. There will be some loss on mortgages which prove worthless. On the other hand, the removal of the burden of private debt will bring a new lease of life to those peasant communities which will well justify this loss, in the wider social if not even in the economic sense. Such a measure could only be effective if peasants were prevented from falling into debt again.”<sup>1</sup>

(b) Statutory reduction of interest. Whilst in theory such a measure ought to be beneficial, in practice it is evaded on such a scale as to make it ineffective. A Usurious Loans and Moneylenders Act and simplified insolvency on a summary basis have proved of some value in certain Indian provinces, but this proposal can only be put forward as a minor measure in a positive attack on the problem of indebtedness.

(c) If colonial governments are not prepared to undertake the drastic step of taking over all mortgages (as outlined in (1) above), the proposals for increasing the standard of living and incomes of the small producers outlined in these pages (including the development of co-operative marketing and processing societies and other associations of producers to ensure a fair price for crops, additional sources of employment, the use of improved technological methods in agriculture, the reduction of waste, the wider use of natural resources, a sound credit system and an efficient consumers’ service, etc.) must be advanced with increased vigour. It is noteworthy that war conditions in Palestine have brought such changes in markets and prices as have enabled the Arab fellah to achieve, even if only temporarily, freedom from the debt burden which had so long enslaved him.

These practical suggestions for removing existing debt and preventing its recurrence will be in vain, if there is not a corresponding educational advance among the people themselves. As a Member of Parliament<sup>2</sup> aptly put it: “It is no good our pretending that Acts of Parliament or the spending of money will do all that is required. No real improvement can be expected unless there is a changed outlook on the part of the people themselves as well.”

<sup>1</sup> Dr W. Arthur Lewis in a paper on “Co-operation in the Colonies,” prepared for the Fabian Colonial Bureau. This proposal is not necessarily endorsed by all members of the Committee. Some members point out that, as stated, it does not make clear how peasants are to be prevented from falling into debt again, which is the crux of the problem.

<sup>2</sup> Captain Gammans, M.P., in the House of Commons, 15th April 1943.



## Chapter XI

## CO-OPERATIVE MARKETING

ONE of the greatest hardships under which the colonial peasant has laboured has been low prices for his produce owing to the absence of proper marketing arrangements. He has been the victim not only of international trade over which he has no control, but of strongly organised trading firms, monopoly interests, small middlemen, transport companies—a host of intermediaries who have stood between him and the ultimate consumer, and succeeded in forcing his prices down to the lowest subsistence-level. Co-operative marketing could become a most important weapon of self-defence for colonial producers.

No claim is made that co-operation is a universal panacea for all marketing problems. But there are two sets of conditions, well known in colonial economies, in which the co-operation of producers is called for—where monopolies of middlemen exploit the growers, and all the growers can do is to combine for their own protection, and where the producers themselves would benefit by creating their own monopoly through co-operating.

## PROTECTION AGAINST MONOPOLIES

Monopolies which exploit the growers may exist either for processing the crop, or because of special marketing conditions. A firm may gain a local monopoly because processing the crop requires to be done on a large scale. If the country is of a size to accommodate several middlemen processors, each working on a large scale, there may be district monopolies. Thus sugar, vegetable oil and rice factories and cotton ginneries usually have a local monopoly, and the grower is liable to be exploited. Similarly, in many districts there may be found only one trader buying the peasant's limes to extract the oil, his coconuts to make copra, his cocoa to ferment, or his coffee to cure. These traders and processors are in a strong position, and, failing co-operation, the grower has no protection against them.

Apart from processing, the middleman bulks and grades the commodity, which also may give him monopolistic powers. It might be that the product requires special shipping facilities so that the exporter must have his own ships, which, being an expensive

business, eliminates the small exporters. Bananas are the outstanding case of this set of circumstances. Or it may happen that there is not an organised market abroad and the product is sold on long-term contracts, which again concentrates power in the hands of well-established exporters. Again, where there are many grades of the same commodity, each with a limited market, the number of buyers of any particular Colony's special grade may be small, e.g. East African coffees and tobaccos. This, again, favours contract selling and established reputations. With tobacco there is the additional factor that the Imperial Tobacco Company, as the largest buyer, dominates most markets anyway. And where the price fluctuations are wide, as in the case of West African cocoa, the firms with the strongest financial resources survive the slumps better and absorb their competitors. This is possibly the principal reason why in most colonial areas one or two giant concerns dominate the export trade. And finally, where a Colony is small, its products can be handled only by a small number of people, who may be in a position to exploit monopoly power.

In all these conditions which favour monopoly the producer must be safeguarded, and co-operative processing or marketing is essential. The germs of this development are in existence. In Nigeria and the Gold Coast there has been for long active protest and resentment among Native growers against monopolistic buying agreements.<sup>1</sup>

The struggle of the small producer against the big trading firms in the case of the Jamaica banana growers is an unsavoury story of how the largest co-operative marketing experiment ever made in the Colonies was wrecked by the superior financial resources of a great private concern.<sup>2</sup>

#### PRODUCERS' CONTROL OF THE MARKET

There are cases where a monopoly control of the market may prove beneficial to the grower. What are these? Control of the market may benefit the grower by extracting higher prices from the consumer. If this merely means redistribution of the Colony's wealth, by making the growers richer and the rest of the inhabitants poorer, it may not be desirable, but where the Colony is producing an exceptionally large proportion of the world's output of some particular commodity, the growers may, through co-operation, be able to secure far better prices from the world's consumers than they have done in the past.

<sup>1</sup> Vide Chapter V "British West Africa"

<sup>2</sup> Vide Chapter IV "The British West Indies"

Again, control of the market may benefit the grower if economies are effected by handling the commodity on a large scale. This is the case with some factory operations. It may be desirable for all the sugar cane in each district to be crushed in a single factory. If several factories are allowed to compete with each other there is unnecessary transport, which, in the last analysis, benefits only the transport contractor. To secure such economies, co-operative marketing is clearly one solution.

Or control of the market may be needed to establish a special reputation for the Colony's product through centralised marketing. There are cases where co-operative grading and advertisement may be the best means for creating such a reputation.

Monopoly of the market may ensure stability of price, but there are few examples of successful price stabilisation by this means, the price either collapses in a slump, because the organisation is unable to continue holding heavy stocks, or rises in a boom because stocks are exhausted. Moreover, there is a temptation to turn price stabilisation into price improvement, an excessive price is maintained, additional output is stimulated in other areas, and finally the scheme collapses. This is not an inevitable but the most likely result of attempts at co-operative price stabilisation.

Another circumstance in which co-operative marketing might usefully eliminate exploitation is the absence of recognised markets. In some areas middlemen go to the farms where the peasant has no indication of the general level of competitive prices and rob him at the same time by the use of fraudulent weights or measures. In East Africa it is customary for buying to be confined to market centres where prices can be chalked up for the peasants to see and compare, and where weights and measures are inspected. In West Africa, although Nigeria applies this system to cotton, and in one area to cocoa, the Gold Coast allows cocoa to be bought and sold anywhere, with the result that the peasant in the bush is frequently exploited.

#### DIFFICULTIES OF CO-OPERATIVE MARKETING

It must be recognised, however, that co-operative marketing, valuable as it may be in all such circumstances, is not an easy safeguard to introduce. The co-operative marketing society functions by collecting and grading its members' produce, and paying them a percentage of the price it expects to receive for its sales. After the produce has all been sold, and expenses paid, the surplus is distributed among members in proportion to the goods they

supplied. There are numerous temptations and pitfalls in this procedure, and the society may meet disaster unless it is run efficiently and commands the full loyalty of its members. It is well to recognise these difficulties so that they may be overcome. It is one thing for such large farmers as the Kenya settlers or the Trinidad cocoa or citrus planters to market co-operatively and quite another for a community of small peasants. Colonial peoples are no more ready to sink their individualities in common enterprise than anyone else, experience in trying to start co-operative cocoa fermentaries and palm-oil societies in West Africa, or rubber-processing societies in Malaya, suggests that Colonials are as individualistic as anybody else. Then the grower is often in debt to the middleman through whom he markets his produce, and this binds him to the latter so closely that he is often unable, and even unwilling, to form a co-operative marketing society. Even when unhampered by debt, it is not easy to tie him to particular channels of distribution. He is likely to be disloyal and to prefer the cash price offered by the private trader to the lower price now and dividend later offered by the society. Traders sow distrust and create mischief, inexperienced village office-bearers make mistakes, members are impatient for their payments, lose faith, and sell part of their crop to the trader.

There are also the inevitable difficulties which even successful co-operation experiences the world over. It takes the members time to learn to manage the society efficiently, if an experienced marketer is employed his salary may eat up the profits, the temptation to speculate is difficult to resist, and, as experience in the Gambia groundnut trade shows, may be catastrophic on a falling market. If these difficulties are overcome, there is still the hostility of middlemen to cope with, in African communities there is also the hostility of some chiefs, and in the East of the money-lenders. If the co-operative is collecting produce for sale to exporting merchants, its rivals persuade the merchants not to allow it a premium high enough to compensate for quality. When, at the start, the co-operative is handling only a small part of the total crop, the merchant may not find it worth while to give a premium for small lots of high-grade stuff, West African cocoa co-operatives have suffered much from this. If the co-operative is competing with the export merchant himself, as did the Jamaica Banana Producers' Association, the merchant will do his utmost to wreck it by overbidding at home and underselling abroad, pressing shipping companies to deny it space, or employing any of the other

tricks of monopolistic warfare. The very conditions which have given the merchant his monopoly power militate against the co-operative, for monopoly is a sign of special difficulties in marketing. The co-operative is therefore most necessary where the dice are most heavily loaded against its success. Experienced co-operators have observed that co-operative marketing stands its best chance of success if it is superimposed on other forms of co-operation, which have taught members the value of mutual trust and combined action, without imposing quite so severe a strain on their loyalty.

#### GOVERNMENT MARKETING BOARDS

The difficulties experienced in building up co-operative marketing associations have caused some governments to establish government marketing boards instead. In some cases these merely work in competition with private traders, setting a competitive price, e.g. citrus-packing in Jamaica and, till recently, the Clove Growers' Association in Zanzibar, in others, the whole crop must be marketed compulsorily through the board. There is a chorus of agreement that, whatever the case in metropolitan countries, colonial marketing boards are usually inefficient and costly, and that they pay excessively high salaries to European officials. But this only means that government boards should not be established where competitive trading is possible and beneficial. Where monopoly is inevitable or desirable, a government board, however inefficient, may well be more desirable than exploitation by private traders. While admitting the advantage of government boards in some circumstances, there is always one point to remember—a co-operative achieves one useful result that a government board does not—it educates its members. They learn to manage their affairs and acquire administrative experience and commercial experience. Such experience is so valuable, and so necessary to colonials in their present stage of development, that, wherever possible, co-operation should be encouraged rather than Government marketing. Where, however, marketing boards do function, the small grower should always be represented on them.

## Chapter XII

## CONSUMERS' CO-OPERATION

## (1) THE RECOGNITION OF THE CONSUMER

Only in very recent years has the "discovery of the consumer" been made in the Colonies. Now it is increasingly recognised that many of the more serious social and economic problems confronting colonial peoples should be approached from the consumers' viewpoint.

The need to educate the consumer in wise spending and thrift, and for an equitable system of distribution which ensures good food and the necessities of life to the common man, has been repeatedly emphasised in recent years. The 1939 Report on nutrition in the Colonies<sup>1</sup> stressed the changes in diet and the increased knowledge of correct feeding which are needed if the existing appalling incidence of malnutrition and food-deficiency disease is to be reduced, and the waste and suffering due to unnecessarily impaired health and vigour are to be eliminated.

A great step forward in recognising the importance of the consumer in agricultural countries was taken when the Hot Springs Conference emphasised the fundamental interdependence of the consumer and the producer, pointing out that

"All men on earth are consumers of food. More than two-thirds are also producers of it. These two aspects cannot be separated."<sup>2</sup>

To enable people to help themselves in reducing the costs of production, distribution and marketing, the Conference recommended that

"All countries study the possibilities of the further establishment of producer and consumer co-operative societies."<sup>3</sup>

Referring to the future development of international commodity arrangements designed to provide the expansion of an orderly world economy, and to raise consumption levels of all peoples, the Conference stressed the need for effective representation of consumers as well as producers in all such arrangements.<sup>4</sup>

<sup>1</sup> *Report of the Economic Advisory Committee on Nutrition in the Colonial Empire*, Cmd 6050 and 6051, 1939.

<sup>2</sup> *Final Act of the United Nations Conference on Food and Agriculture*, Cmd 6451, 1943, p. 2.

<sup>3</sup> *Ibid.*, p. 28.

<sup>4</sup> *Ibid.*, p. 34.

Several distinguished colonial authorities have pointed out that the acute problems of indebtedness among colonial peasants are to be attributed as much to the unsatisfactory trading agencies which supply his needs as a consumer as to his wasteful and uneconomic methods of cultivation. The ubiquitous system of credit trading, which, with the introduction of a money economy, is a comparatively recent innovation in village life, makes it all too easy for the unenlightened and usually illiterate consumer to incur a burden from which he may never get free. The usual attractions of the village shop—bicycles, tools, boxes, low-grade tinned foodstuffs, articles of adornment—are great temptations to the uneducated consumer to live beyond his income and pay usurious rates of interest for the credit so easily obtained.

It is clear that the consumer must be educated in limiting his purchases to his income. At the same time, he must be enabled to make that income go as far as possible by the assurance of reasonable prices and articles of good quality. For this an efficient system of retail distribution is essential so that price and quality can be safeguarded, and the problem of credit trading in consumption goods tackled root and branch before it grows yet more formidable through further expansion of a money economy. As it is, all the resources of education, propaganda and Government help through Co-operative Departments will be needed if the deeply rooted system of unsound credit and the vested interests of the village trader and moneylender are to be overcome.

It is not generally recognised that Sir Wilfred Grenfell's great work in helping to free the fishermen of Labrador and Newfoundland from their overwhelming burden of poverty and indebtedness was based on encouragement of co-operative stores. When he first came to Labrador the fishermen were hopelessly in debt to the village trader, as the result of years of credit and truck trading. Nine-tenths of the extensive physical ailments of the population were due to starvation and diet deficiencies. An almost complete state of illiteracy prevailed, often not more than one man in a village being able to read or write.

Referring to the first co-operative experiment to improve the conditions (so strikingly similar to those found in many Colonies) Sir Wilfred wrote

"With us the matter came to a head in a little fishing village called Red Bay, on the north side of the Straits of Bella Isle. We there decided to venture a co-operative store, hiring a schooner to bring our freight and carry our produce straight to market. Having

no money to get out of debt it seemed impossible, and to borrow was impossible also, for the capital might then be seized. Every head of a family, however, agreed to cut down in every possible way to the last halfpenny, to work as never before to 'square up,' and to try at the end of the year to have actual dollars to put into what universally became known as the 'Copper Store'. Our slogan that whole year was 'Let us eat grass for flour and get out of debt'.

"Alas, after a year's saving, the seventeen families could raise only 85 dollars among them for capital and we had to loan them sufficient to obtain the first cargo. The Red Bay Co-operative Store was launched in 1896 and the store worked well from the beginning. The loan has been repaid years ago and every family is free of debt.

The whole effort met with severe criticism, not to say hostility, at the hands of the smaller traders, but the larger merchants were most generous in their attitude, and, though doubtful of the possibility of realising a cash basis, were without exception favourable to the attempt. This store has been an unqualified success, only limited in its blessings by its lack of larger capital. It has enabled its members to live independently, free of debt and without want, while similar villages, both south and east and west, have been gradually depleted by the people being forced to leave through inability to meet their demands."<sup>1</sup>

The development of many such consumers' co-operative stores along the coasts of Labrador and in Newfoundland, with their successes and their failures, when the co-operative principle was abandoned, is a remarkable story. They have proved of inestimable value in achieving the economic freedom and improving the conditions of the people.

## (2) CONSUMERS' CO-OPERATION—ITS ORIGIN AND PRINCIPLES

The first successful consumers' co-operative society was the famous Rochdale Equitable Pioneers' co-operative store. It was organised by twenty-eight consumers in 1844 to supply themselves with pure foods and provisions at cost prices. They owned and managed their store on a democratic basis, their savings providing the capital for buying a stock of goods at wholesale prices and opening a small retail shop. It was decided to sell the goods at prevailing retail prices and to return the surplus at the end of a trading period, not on the basis of the amount of capital held by each member, but according to the amount of their purchases. A proportion of the surplus was allocated for educational purposes. Interest on capital was limited to a small fixed rate, no member having more than one vote in the administration of the society, and membership was open to all.

<sup>1</sup> *The Story of a Labrador Doctor*, by Sir Wilfred Grenfell, pp. 185-187.



From this beginning a century ago the consumers' movement has steadily developed in many countries. There are now over 8,000,000 consumers organised in over 1,000 co-operative societies in Great Britain alone. With consumers' needs organised the movement has extended its control to the sources of supply. The great co-operative wholesale federations run hundreds of factories, provide banking, shipping, insurance and other services, and even produce some of their own raw materials—for example, their extensive tea plantations in India and Ceylon.

The fundamental principles of the Rochdale Pioneers' Society described above are still substantially observed. The great trading structure has been built by and for the consumers, ownership and final control being in their hands.

### (3) CONSUMERS' CO-OPERATION IN THE COLONIES AND OBSTACLES TO ITS DEVELOPMENT

In the British colonial territories there is a remarkable, and almost complete, absence of co-operative consumers' societies. With the exception of Palestine, where all forms of co-operation, including consumers' societies, have played a most important part in Jewish colonising activities, there are only a few territories where any efforts in this direction have been made. Ceylon has some dozens of consumers' societies supplying the needs of wage-labourers on plantations and estates, and there were a few similar societies in pre-invasion Malaya. Cyprus, too, has its co-operative stores, and there have been sporadic efforts in one or two other Colonies. The Ceylon societies have been encouraged by the goodwill and influence of the English and Scottish Joint Co-operative Wholesale Society. Generally speaking there is virtually no consumers' co-operative movement in the Colonies.

What are the causes of this arrested development?

(a) *Subsistence Cultivation*—A considerable proportion of the indigenous populations are engaged in peasant agriculture, usually of a primitive type. Often they produce only for their own needs, money playing little or no part in their economy. Only a fraction of the adult male population is employed for wages. Of the small producers and farmers relatively few are as yet mainly concerned with the cultivation of commercial crops (such as cocoa in the Gold Coast, sugar in Mauritius and the West Indies, coffee and cotton in East Africa) in which money is used as the accepted means of exchange.

Where the peasant grows all his own food, and his other consumer

needs are insignificant, there is obviously little scope for a co-operative store. This type of economy, though primitive, has not resulted in serious hardships. Indebtedness is not prevalent, nor are the worst effects of malnutrition suffered.

(b) *Small per capita Turnover*—In those increasing areas of the Colonies where a money economy has penetrated, the peasant has usually but one avenue through which to convert the money received for his crops into consumption goods—the village shopkeeper, who is also the village moneylender and trader. In these areas co-operative stores would prove of great value, since the village shopkeeper usually has a monopoly and charges extortionate prices and rates of interest. (In towns there is more competition and prices are cut to lower levels.)

The small amounts and low turnover involved handicap the efficient working of a consumers' co-operative society. It is indeed doubtful if the village shopkeeper relies on his retail turnover to provide his income. He has to tie the villages to him by debt in order to secure an additional revenue by the disposal of their crops, and usury. A suggestion for overcoming the technical difficulty of low turnover is outlined later.

(c) *Fierce Competition in Towns*—In colonial towns, retail trade attracts great numbers of shopkeepers who compete fiercely. Unless the advantages of a large turnover and satisfactory sources of supply exist, the low cut-price levels and credit-trading system which predominate are obstacles to a young co-operative society.

(d) *Illiteracy*—The high percentage of illiteracy in most Colonies is a serious obstacle to co-operative development. However small the society there is need for keeping accounts and records. The management committee may be willing, but without a degree of literacy among the active officials little progress is possible.

(e) *Credit Trading*—This is the universal practice in the Colonies wherever the use of money has been adopted, and is synonymous with the development of moneylending. It is to be expected that the introduction of consumers' societies will meet with fierce opposition from the moneylenders. Many of these have been attracted to particular colonial territories to engage in trading and money-lending, for example, the Chinese in Malaya, and the Indians in Zanzibar.

(f) *Lack of Official Encouragement*—One of the Annual Reports of the Jeanes School in Nairobi states

"Official opinion seems, on the whole, to have little support for such a form of Co-operation as the village shop, whereas the school authorities

themselves are of the opinion that the village shop is the only form in which Africans on their own can get any experience of business relations, and the need for absolute honesty and reliability”

The “official view” referred to is typified by such a distinguished colonial authority as Sir Alan Pim in his report on conditions in Kenya. He stated that

“co-operative credit organisations and co-operative stores should be the last and not the first stage in development. In the Jeanes School a co-operative store is carried on for the purpose of training Jeanes teachers in co-operative methods. The store may have some value when carried on under the close supervision of the school authorities, but if imitated throughout the country by inexperienced and untrained persons it becomes dangerous”

There is little evidence of any appreciation in official quarters of the part which consumers’ co-operation might play. Even the Co-operative Department of Nigeria points out in a recent report that “it was against the advice of the co-operative staff that a consumers’ society was started in Lagos recently”. How far this lack of encouragement has been due to the difficulties of starting such a society under war conditions is not certain, but without official support it is not surprising that the society met with little success. Difficulties were encountered in obtaining supplies, and those procured were insufficient to meet demand. By contrast, references have been made by the Labour Adviser to the Colonial Office, Major Orde-Browne, to the need for co-operative stores in specific instances, particularly for plantation workers in the Cameroons, amongst whom the evil of truck trading still prevails.

(g) *Difficulties in Supply*—To have a chance of success, consumers’ societies must have access to supplies of good-quality goods at reasonable cost. In many Colonies (such as Malaya and West Africa) the import trade is largely in the hands of combines and large trading companies, who also engage in exporting the raw materials produced in the Colonies. For the consumer societies merely to buy from these combines for resale in competition with other small traders offers little advantage. But if the co-operative societies through the creation of their own central purchasing federations could get a footing in the wholesale import trade they could do useful service. The British Co-operative Movement, with its purchasing depots in many Colonies, might also arrange to compete in the import business, if consumers’ societies were developed on a reasonable scale. This possibility is discussed more fully in our final chapter.

(h) *Shortage of Trained Personnel*—By no means all of the few established Co-operative Departments have adequate personnel trained in the principles of consumers' co-operation. In Colonies such as the Gold Coast, where co-operation has been dealt with by a few officers of the Agricultural Department, the encouragement of consumers' co-operation obviously could not form part of their duties. It has been repeatedly stressed in foregoing pages that the development of co-operative enterprise should be in the hands of a separate Co-operative Department, with personnel trained in the science of co-operation in its many forms, including consumers' co-operatives. Such a Department will then be able to collaborate with all the scientific departments and not have to limit itself to any one field, so losing many co-operative opportunities.

#### (4) THE NEED FOR A CONSUMERS' CO-OPERATIVE MOVEMENT IN THE COLONIES

The most urgent need for consumers' societies is in rural rather than urban districts. In scattered communities and villages trade is more monopolistic and the worst cases of exploitation are found. But there is the obvious difficulty of developing an efficient co-operative retail service where the annual turnover in any one village is small.

There appears to be no reason why a number of small villages should not link up to a central society by means of "travelling shops". Road and transport facilities are steadily improving, and an economic turnover might be obtained by regular visits of the "shop" to outlying and scattered settlements. This method has been adopted with success by British societies serving isolated rural areas. The transport so used might also be helpful to local marketing co-operatives for collection of members' produce, thereby reducing transport overheads.

There is also special need for consumers' societies among wage labourers on plantations, similar to those established in Ceylon and Malaya. Otherwise labourers may be compelled to buy from plantation shops at exorbitant prices. The Cameroons have already been mentioned as needing such societies, and there is scope in other plantation Colonies, if only the personnel were available to organise them.<sup>1</sup>

In the towns the consumer is afforded some protection by the competition of traders. But that is not to say that consumers'

<sup>1</sup> Societies are most likely to succeed in these cases, if the employer takes a special interest in them and acts as their guide, philosopher and friend.

co-operation would not confer its customary benefits. The movement would be aided by the growth of trade unionism.

Consumers' Co-operation could fulfil four special functions in the Colonies. It could help to substitute cash for credit trading, provide a most effective means for educating the people in nutrition knowledge and protecting them against the wrong foods, defend the consumer against the tendency to favour the producer through protective tariff and customs arrangements, and make it possible for colonial consumers to be effectively represented on International Commodity and Price Control Boards.

(a) *The Substitution of Cash for Credit Trading*—The vicious system of universal credit which encourages the consumer to live beyond his income must be tackled. It is useless to improve methods of cultivation and so increase the peasant's income if this involves an extension of his credit limits, and a consequent increase of his indebtedness. The co-operative principle of cash trading linked with thrift by the accumulation of dividends on purchases, and based on self-help, honesty and fair dealing, constitutes an instrument by which reform can be effected. A change in outlook and practice will not come easily. The final choice will remain with the people, but the confidence engendered by even a few successful societies would be invaluable, and the force of example more potent than many propaganda campaigns.

(b) *Reforms in Dietary Standards*—Perhaps the most effective means for spreading a knowledge of better nutrition is by a system of consumers' societies, each with its management and education committees. However sound the food policy of a Government may be, it does not become a reality until translated into the lives of the people. Organised associations of consumers could be of great assistance in helping to effect the improvements in diet necessary to prevent malnutrition and specific deficiency diseases.

(c) *Local Tariffs—Protection of the Consumer*—In some parts of the Colonies local manufactures and industries are heavily protected by tariffs, the result being a transfer of income from the local consumer to the manufacturer and the grower. The consumers are entitled to have their defensive organisations to ensure that the income of the many does not find its way into the pockets of the few. When consumers' societies are successfully established they may find themselves in conflict with agricultural societies seeking to maintain local prices. Most colonial markets are protected in order to subsidise the grower at the expense of the local consumer, for example in Jamaica the Coconut Growers' Association manufactures

soap and edible oils behind a tariff wall and so ensures to coconut growers a price much above the export price at the expense of the local consumer, unless these latter can come to equitable terms with the producer societies. Consumers' societies will therefore have a great incentive to produce on their own account, and to control their own factory processing, and even cultivation.

(d) *International Commodity Arrangements*—If consumers are to be protected they will need effective representation on the Commodity and Price Control Boards, which are likely to develop extensively in the future. The only practical way in which this can be achieved is through the organisation of consumers' interests by co-operative consumers' societies.

Much preliminary work will have to be done before the colonial peasant and his leaders become "consumer-conscious." The function of the consumers' co-operative movement in dealing with many of the major economic and social problems of the Colonies will have to be studied and understood. The task is heavy, but it is not too soon to begin.

## Chapter XIII

# CO-OPERATIVE FARMING AND OTHER FORMS OF CO-OPERATIVE ENTERPRISE

## CO-OPERATIVE FARMING

In the Colonies the majority of the peoples are agriculturists, whose prosperity depends on the productivity of the soil and the return they receive for their produce. To secure a fair price for this is a question of marketing arrangements, and we have already discussed the rôle of co-operative marketing in helping the colonial peasant. But productivity depends on the farming technique—the methods used, the combination of crops, the degree of mechanisation, the size of the land-holding. One of the greatest obstacles in the way of prosperity for the colonial peasant has been his backward technique and hence his low productivity. This is not the place to enter into the long-standing controversy on the relative merits of large- and small-scale farming. But it is going to be almost impossible to introduce into the Colonies the technological advances in agriculture made in recent generations if each peasant continues to farm a few acres without outside help or collaboration with his neighbours.

The task of conveying new ideas and information to a colonial peasantry in order to secure improved farming is a formidable one. How can Agricultural and Veterinary Departments, with their relatively small staffs, reach the masses of the people, and spend sufficient time with them to ensure that their teaching has been understood and accepted? Government demonstration farms have obvious limitations in this respect—they are within reach of only a circumscribed area, they demonstrate methods which may be beyond the capacities of small peasants to imitate<sup>1</sup>. The most acceptable means for breaking through these difficulties is by co-operative organisation. This provides a platform for the instructed, pools the use of apparatus, and makes adoption and enforcement of new methods a communal responsibility. The improved production and better returns which result are readily understood by those who have participated.

Some of the more obvious lines of technical advance which could be introduced to small farmers through co-operative organisations are

(1) *Stock Breeding*—We have stressed throughout the need for improved animal husbandry and the importance of dairy farming. Herds can only be improved through the use of superior sires, which it would be impossible and wasteful for small farmers to purchase and maintain. Through collective action, sires suitable for crossing with local breeds could be provided. Artificial insemination would increase the advantages to be derived.

(2) *Milk Recording*—This helps to weed out unprofitable cows, but must be organised on a scale too large for a peasant to undertake alone.

(3) *Veterinary Measures*—These include all measures needed to maintain a herd in good health—popularisation of knowledge on farm treatment of animals, dispensing of simple remedies and

<sup>1</sup> In the rehabilitation of the Tennessee Valley in the U.S. the Tennessee Valley Authority discarded the idea of official demonstration farms. Instead, a group of farmers would select one of their number who would agree to conduct his farm for a period of years in accordance with the new type of farm management. The group of farmers would then walk over their neighbour's farm and plan out which sections should be planted under particular crops. The farmer was supplied with fertilisers, etc., by TVA, he also received technical guidance, but other additional expenses on materials, livestock, machinery, etc., were paid for by the group as a whole. The farmer agreed to keep detailed operating and financial records, and to open his farm and accounts to the observation of his neighbours. This method of co-operation in the TVA area is described in *A Study of the Work of the Land Grant Colleges in the TVA Area in co-operation with TVA* (1939). A Director of TVA has summed it up as follows: "Each farm is a kind of schoolroom in which the whole neighbourhood joins, as many as a thousand farmers have studied ten such demonstration units in a single county. They watch the results, talk about it among themselves, check the methods." .

preventives, arrangements for large-scale dipping or inoculation, emergency measures to deal with epizootic disease. Such measures can best be undertaken co-operatively.

(4) *Use of Improved Seed*—Seed could be distributed through co-operative supply or consumers' societies. The growing of improved strains can also be undertaken by cultivators, provided they are grouped in a co-operative society for this purpose, and are supervised. It may then prove a lucrative business.

(5) *Provision of Seedlings and Fruit Trees*—A co-operative nursery for growing better stock, or at least a co-operative supply society handling the products of a Government nursery, should be available in many communities.

(6) *Control of Pests*—Control involves provision of insecticides and fungicides, and use of sprayers and seed-dressing machines on such a scale that machines would need to be co-operatively owned and the materials purchased co-operatively. Compulsory spraying or dressing can best be carried out under the supervision of a Crop Production Society responsible to the peasants as a whole.

(7) *Use of Fertilisers*—These, too, can be purchased and distributed to best advantage through co-operative supply or consumers' societies. The kind and quality of the fertiliser to be used should be regulated by consultation, in accordance with the nature of the local crops and soil. This would involve arrangements to have soil tested, which again could scarcely be carried out by separate individuals.

(8) *Use of Cultivating and Harvesting Machinery*—As a rule, lack of labour is not a difficulty among a tropical peasantry, but under the impact of European civilisation, and demands for labour in other than agricultural employments, the problem may well arise. Already in southern and eastern African territories the burden of labour on the women and others left in the reserves is becoming intolerable. Better, easier and quicker cultivation is possible with machinery, but this would be beyond the financial capacity of individual peasants except through co-operative ownership.

(9) *Processing Machinery*—It is not easy to draw a line between agricultural production and the secondary processing through which most agricultural products have to pass before reaching the market. The colonial peasant has been backward in his processing methods and, as often as not, turned out an inferior product as a result. He had no means of obtaining efficient machinery or education in scientific methods. Co-operation has a most important function to perform in guiding the peasant to the use of improved dairy plant,



egg-graders, oil-seed presses, cocoa fermentaries, cotton gins, etc., so helping him to achieve a better product commanding a better price

(10) *Drainage and Irrigation*—This is clearly a matter for co-operative action, not only as regards the initial labour and use of equipment, but in the subsequent upkeep and allocation of water in irrigation schemes

(11) *Control of Soil Erosion*—This is one of the most serious problems in many colonial territories and there is a growing awareness that active steps will have to be taken if wholesale destruction of the soil is to be avoided. Erosion is controlled by a variety of methods—contour ploughing, planting of wind-breaks and soil-holding plants, drainage arrangements, none of which can be effectively carried out by individual action

(12) *Food Preservation*—The importance of local food storage and preservation has been emphasised in many Colonies by wartime supply difficulties. But the problem of “seasonality”—the alternation of glut and famine—is an old one in backward areas, and great suffering and waste could be prevented by storage and preservation arrangements as part of normal policy. Canning or refrigeration, either for sale or use by growers in the off-season, should be extended, and this too will demand co-operative effort

In the West Indies the question of land settlement to meet the needs of the numerous landless peasantry in many of the islands has been increasingly considered in recent years and certain experiments have been made, without any particular success. The Agricultural Policy Committee of Trinidad which reported in 1943 laid great emphasis on the importance of co-operative organisation in land settlement

“Land settlement facilitates the organisation of individual farmers into co-operative units which can enjoy some of the advantages of large-scale agriculture. It is most important to place conservation of natural resources of soil, forest and water on a co-operative basis, both throughout the settlement and in the region concerned. The organisation of land settlements for co-operative effort, the economic provision of community services, and demonstration methods of agricultural advances are most readily undertaken where Government retains ownership of the land”<sup>1</sup>

This Trinidad Report is insistent on the importance of co-operation to the small producer

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<sup>1</sup> *Report of the Agricultural Policy Committee of Trinidad and Tobago, Part I, 1943, p. 17*

"Co-operation is often the basis of success in small-scale agriculture

We have particularly in mind the collective groups of small farms, where, in order both to obtain the advantages and to undertake the financial responsibilities of large-scale farming, the small farmer would have to surrender much of his freedom of action and independence. Also the provision of heavy mechanical equipment by the State would not be justified unless the producers themselves were prepared to accept collective responsibility for its regular use" <sup>1</sup>

In Kenya the low standard of living which peasants achieve from their small holdings, and the rapid exhaustion of the soil, are causing considerable concern. Mr Colin Maher, Officer-in-Charge of Soil Conservation in Kenya, has stated <sup>2</sup>

"First, the size of the holdings is far too small to permit of efficient farming, of mechanisation and the use of labour-saving devices and of the cheap production of foodstuffs and fibres except at a very low or starvation return to the producer

"Secondly, the continued subdivision of holdings on inheritance aggravates the evil, while fragmentation, involving great waste of time in walking to and from the various fields, adds to the loss in efficiency

"Thirdly, intensifying of production is rendered impossible, apart from limitations due to soil and climate, by excessive smallness of the holdings, by ignorance and lack of energy on the part of the Africans who cannot appreciate the benefits of co-operation or of technical improvements

"Fourthly, credit is lacking to enable the cultivator to obtain necessary buildings, stock and equipment required for efficient production

"With increased stress upon individualistic development—encouraged by Government in some districts—there is more than a little danger that cultivators will mortgage their property and, like the Burmese and other peasant farmers before them, add to their difficulties by burdening themselves with debt at heavy rates of interest which their uneconomic and inefficient, eroding little holdings can never pay

"Fifthly, many Africans, especially in the Kikuyu reserves, are living on land under conditions of temporary tenure under which improvements are not encouraged but are definitely discouraged by the owners or right holders"

As one of the solutions to these problems Mr Maher advocates the development of co-operative farming in suitable areas and also of communal grazing

Up to the present, co-operative farming is very unusual in the Colonies. Some tribal communities in Africa, e.g. the Bemba in Northern Rhodesia, clear the forest on a communal basis while leaving planting and reaping to the individual. Members of the

<sup>1</sup> *Ibid.*, p. 55

<sup>2</sup> Address to Rotary Club, 1943

Coffee Growing Societies in Buganda are pledged to help each other in carrying out any big work on their holdings, but the societies are primarily educational. Sir Frank Stoddard refers to a co-operative farming experiment in Jamaica. In 1931 the Small Planters Committee in British Guiana put forward a scheme whereby peasants should be encouraged to form co-operative societies to purchase and operate tractors collectively. In some Colonies there are "farming societies" which are really not co-operative but educational associations, where peasants meet to hear lectures and discuss farming technique, the best organised and most useful being the Jamaica Agricultural Society.

The only real attempt at developing co-operative farming in the colonial empire has been made in Palestine.<sup>1</sup> The farms there are of two types—the communal settlement and the small-holders settlements, which are more the model on which co-operative farming elsewhere in the Colonies might develop. These settlements have been extremely successful, and their methods and experience should be carefully studied.

Co-operative farming will be particularly suitable in areas (such as plains rather than hills) where mechanical ploughing is desirable and economical, and for crops such as cane, rice, maize, cotton and tobacco. It will also be important in areas where swamp lands are being reclaimed, as in Sierra Leone and Trinidad, and in land-settlement schemes. Co-operative farming proper, working in conjunction with modern central processing factories and taking full advantage of scientific methods and technological progress, may well become an important feature of a long-term policy for agricultural development. But everywhere the co-operative will be of value in spreading knowledge and making possible the application of improved methods even on the lowliest peasant holding.

Whilst more detailed attention has been devoted in the preceding pages to the better-known types of colonial co-operative enterprise—credit and thrift, marketing and processing of agricultural products, the consumers' movement and co-operative farming—it should not be thought that these constitute the limits of co-operative activity, actual and potential, in the colonial sphere. Nor are they necessarily the first steps in colonial co-operative development.

<sup>1</sup> See Chapter VIII for special note on collective farms in Palestine.

*"Better Living" or "General Purpose" Societies*<sup>1</sup>

There is urgent need in many colonial communities to create, at the earliest possible stage, the social type of co-operative society generally referred to as "Better Living" Societies or "General Purpose" Societies

In Malaya the "General Purpose" societies are displacing the more simple "Better Living" societies. The former type of society is wider in scope and includes the acceptance of cash deposits to develop thrift. Their activities include clearing of burial grounds, wells, drains, building of footpaths. Some of them organised local fairs during periods of economic depression to sell fruit and vegetables. The recently created and successful *Jamaica Welfare Limited* falls into this category of co-operation. It is now being imitated elsewhere in the West Indies—*Barbados Welfare* has now been established.

The experience of many parts of India shows that if the material gain of the individual is the sole object pursued by co-operation the movement will sooner or later collapse. Economic gain without an accompanying strengthening of character and responsibility is only too often harmful, more particularly in the case of people who have only recently been introduced to the idea of private gain. Societies of this type are therefore a wise preliminary or accompaniment to the development of societies with purely economic objectives.

In the colonial scene there is also great opportunity for the development, on a co-operative basis, of various services, including those which, in more advanced countries, are the care of local or national government. These include irrigation, drainage and water-supply, housing, transport, sanitation, health and veterinary services. Such co-operative services, carried on within the framework of Government administration, are likely to be especially valuable. They provide a service more quickly and cheaply than it could be provided from national revenues, and the services are more likely to be understood and valued if they depend on the efforts of the people themselves. Also they offer an admirable training in democratic responsibility without the difficulties and temptations which beset the handling of money and the selling of crops on a world market.

The following special types of co-operative association which have emerged in greater or lesser degree in various colonial territories

<sup>1</sup> Vide Chapter II

indicate the wide variety of needs and uses to which co-operation can be adapted

### *Co-operative Handicrafts or Craftsmen Societies*

This type of society has so far only emerged in Palestine, where special conditions prevail, and in Ceylon. In Ceylon a few societies of weavers, carpenters and smiths have developed, in some cases using a central workshop and paying, in the first instance, wages, followed by a dividend, to the craftsmen, who own and manage their own societies. This type of direct-labour organisation is particularly useful where the craftsmen or workers need expensive equipment beyond the reach of any one of them, or where production by a society is able to establish a special reputation for quality.

It is possible that there is an important future for small-scale industrial co-operatives supplying the local market, and organised somewhat after the fashion of the Chinese industrial co-operatives which have been so strikingly successful a feature in China's economic resistance against Japanese aggression<sup>1</sup>. The Colonies offer good opportunities for such industrial co-operatives, based on raw materials—textiles, soap-making, leather tanning, tile and brick making, oil pressing and refining, and so on. The new Institute of African Arts, Industries and Social Science in the Gold Coast teaches these crafts with the definite intention of helping in the creation of industrial co-operatives of this type.

### *Co-operative Fisheries or Fishermen's Societies*

The success of the few fishermen's societies which have been established may form the basis of a much-needed development of this industry, whose value in providing an important addition to the diets of colonial peoples has been frequently emphasised. A few such societies have been successfully established in Nigeria (The Epe Fishermen's Co-operative Guild), in Gambia and in Malaya. Expensive equipment, such as trawlers, is not under consideration. It is rather the question of facilitating the provision of nets and other essential equipment, conserving fish and improving the industry generally.

<sup>1</sup> The Central Administration of Chinese Industrial Co-operatives (C.I.C.) was first established in Hankow on 5th August 1938, to form a new type of economic resistance, in the form of decentralised industries that could not be destroyed by war but would move with the people wherever they lived. The C.I.C. has recently been reorganised and is to be known as the Association for the Advancement of Chinese Industrial Co-operatives (A.A.C.I.C.). There were stated to be approximately 40,000 such industrial co-operatives in China at the end of 1943.

*Co-operative Stock-breeding and Seed-improvement Societies*

We have<sup>1</sup> already referred to the improvement of stock and seed through co-operation in the section on Co-operative Farming. There is a place for special societies dealing with these needs. They aim at the improvement of blood stock, milk yields, new and improved types of seed, encourage the introduction of proper recording systems and so on. In some Colonies societies of this nature exist and work in close touch with the Agricultural Department. They form a means whereby scientific progress and technical improvements can reach and benefit the small farmer or peasant.

*Co-operative Electricity Societies*

Provision of cheap electricity for use as power is particularly important because of the need to develop secondary industries in the Colonies. No such societies yet exist in the Colonies, but there is a great deal to be learnt from the experience of the Argentine and the U.S.A. in this direction. In the Argentine there are 62 co-operative electricity schemes, and the rural electrification scheme in the U.S.A. has provided over 200,000 farms with an efficient service at low rates. This has been done by the Rural Electrification Administration through local co-operative societies. These societies have achieved remarkable results, and the Colonies should profit by their experiments.<sup>1</sup>

*Consolidation of Holdings Societies*

The special Co-operative Consolidation of Holdings Societies devised by Mr H. Calvert<sup>2</sup> have done valuable work in the Punjab in curing the excessive fragmentation of holdings, which is so serious an obstacle to an efficient agricultural economy in many Colonies. Through the medium of such societies the holdings in 1477 villages, including over 1,000,000 acres and over 16,000 peasant holdings, had, by 1939, been consolidated. The co-operative staff is now said to be unable to meet the demand for such societies, and the people themselves, after universal opposition on the introduction of the scheme, are now requesting that consolidation be made compulsory.

Space does not permit a description of many other possible types of co-operative organisations which may emerge in the Colonies, and new forms may develop which it is impossible to foresee. But

<sup>1</sup> Vide *The Co-operative Movement in the Americas*, International Labour Office, 1943, pp. 18-19, 43.

<sup>2</sup> *Wealth and Welfare of the Punjab*, 1936, p. 186.

a multiplicity of co-operative activities of all sorts, each making its small but obvious contribution to material welfare, will cumulatively do most important work in increasing self-reliance and administrative experience, and offers perhaps the best means of drawing out those aptitudes in the colonial peoples which are essential to their progress

## Chapter XIV

### THE STATE AND CO-OPERATION

#### THE NEED FOR STATE ASSISTANCE <sup>1</sup>

In some of the more prosperous agricultural and industrial countries, such as Denmark and Great Britain, the co-operative movement, which forms so substantial a part of the national life, developed without much assistance from the State. No such spontaneous growth has taken place in our Colonial Empire. Among the 60 million people in its scattered territories there exist only small, isolated examples of co-operative association or enterprise, in spite of the clear need for this development to ameliorate the evils of poverty, indebtedness, chronic sickness and malnutrition, which curse the lives of the indigenous races.

Why has co-operation not developed in the Colonies as in many other countries? Colonial conditions cannot be compared with the standards of civilisation evolved through centuries in the Western world. Until recently, colonial communities were scattered and isolated, with primitive agricultural economies and a wide disparity in outlook and ways of life. Only recently have Western ideas penetrated, and the new economy which is being introduced—the use of money, scientific methods of cultivation, specialisation of crops—is out of focus against the colonial background. For the most part backward and illiterate, the countless small growers and producers need help to guide them through the difficult transition period from the old to the new ways of life. Without substantial State assistance, it will be long before they achieve the status of “walking with dignity on the world’s great boulevard.”

This need for Government help in the development of co-operative associations in the less advanced agricultural lands has received

<sup>1</sup> A distinction should be made between “State assistance” in the form of audit, supervision, etc., and “State assistance” in the form of financial help. The more the former is given the less should be given of the latter, otherwise there is danger of the co-operator becoming too dependent on the State.

wide recognition. The Second Inter-American Conference of Agriculture, attended by delegations from the 21 Republics of the Western Hemisphere, adopted this recommendation

"This Conference recommends that the countries of America encourage the constitution of agricultural producer associations. The co-operative is recommended as the basic type. Each American Government should initiate a large-scale plan of co-operative organisation of agricultural producers, principally for the benefit of farmers with small incomes and small acreages, for the realisation of this plan, all the financial support and technical assistance needed for its effective development should be offered by those Governments" <sup>1</sup>

Active assistance, always through special Departments of Co-operation, is already being given by the governments of Venezuela, Brazil, Bolivia, Mexico, Columbia and Peru <sup>2</sup>. Actually, some form of government supervision is common in *all* countries. In Britain there is a Registrar of Industrial and Provident Societies, with power to register or not register, and also to liquidate a society. The same powers are given to Co-operative Registrars in the Colonies.

British colonial policy has in the main adhered to the principle of devolving maximum possible power to the periphery, the individual colonial administrations. There has been no central policy, the colonial peoples have been left exposed to the impact of private interest, and natural resources have been largely exploited, to the advantage of the wealthy industrial countries and trading monopolies. Fortunately, this *laissez-faire* attitude has been modified by the Colonial Development and Welfare Act of 1940. The British Government now recognises its responsibility to forward the development and welfare of colonial peoples. It recognises, also, that a reasonable standard of well-being cannot be built up on the Colonies' own resources, and has laid down that "the first emphasis in this much enlarged policy of colonial development will be on the improvement of the economic position of the Colonies" <sup>3</sup>.

Our submission is that no policy of economic development which ignores the potentialities of co-operative principles can ever effectively reach the masses of the colonial peasantry. But co-operation cannot develop amongst the more backward colonial peoples by economic organisation alone. There must be an accompanying educational programme and acceptance of the ideas on which all co-operative associations, for whatever purpose, are founded. Then, and only then, progress can be made.

<sup>1</sup> Second Inter-American Conference on Agriculture, held in Mexico City, July 1942

<sup>2</sup> See Appendix

<sup>3</sup> *Statement of Policy on Colonial Development and Welfare*, 1940, Cmd 6175, p 6



## A COLONIAL OFFICE CO-OPERATIVE DEPARTMENT AND ADVISORY COMMITTEE

There is little hope of advance in the development of colonial co-operative enterprises until specific instructions are issued from the Colonial Office in London

There is immediate need for a centralised Co-operative Department and a Co-operative Advisory Committee to be set up in the Colonial Office to examine the position and make recommendations to the Secretary of State. This Committee might include the Head of the Co-operative Department (when established) and independent members appointed by virtue of their knowledge of co-operative and colonial affairs, with the Economics, Agricultural, Labour and Educational Advisers in attendance, to give advice. It is particularly important that the Committee should work in close conjunction with the Economics Staff in framing the outline of a co-operative development to take its place in any larger economic policy for the Colonies as a whole.

The Co-operative Department in the Colonial Office would be responsible for ensuring that policy became a reality in the lives of colonial peoples through the individual administrations and Co-operative Departments. Regular reports should be received from these Departments and submitted to the Advisory Committee, for further recommendations to the Secretary of State in the case of backward areas or special difficulties. The Co-operative Department would ensure that mistakes made in one area were not repeated in others and canalise knowledge and new ideas into a single channel for the benefit of each individual administration. It would also be the medium through which the co-operative knowledge of other countries would be made available to co-operators. For this task it would need to establish working relations with the Co-operative Service of the International Labour Office (which receives information from most of the countries of the world, although no specific Co-operative Recommendations or Conventions have so far been adopted by the International Labour Conference), the International Co-operative Alliance, the Horace Plunkett Foundation and other central co-operative institutions.

## CO-OPERATIVE DEPARTMENTS IN THE COLONIES

Once the broad outlines of central policy have been established it will be necessary to establish machinery in the Colonies to put it into effect. This will require in each Colony—or group of Colonies

pioneer task of establishing co-operation in the uncharted co-operative deserts still existing. Some idea of the prestige and influence of such Registrars is given by the description of them in India as the "Brahma Vishnu and Siva of a Co-operative Society."

The Registrar, in addition to possessing detailed knowledge of the economic, social and ethnic features of his Colony, should himself undergo special training and undertake a comparative study of co-operative movements in other countries. We have made earlier reference to the great value derived by the Malayan Co-operative Movement from a study of co-operative institutions in the Dutch East Indies. The Registrar should observe in practice the methods adopted in such countries as India and Ceylon, the peasant lands of Europe, when this again is possible,<sup>1</sup> and he should make contact with eminent co-operators in Great Britain and the Dominions. If the Registrar is succeeding another, a term of six months as the latter's assistant would help him in his new work. After a year or two of practical experience he would benefit from a tour of other countries to see what diverse aspects co-operation can assume, and learn its value, not only as a means of economic advancement, but in the education of colonial peoples for modern life and self-government. On the shoulders of the Co-operative Registrar lies the responsibility for educating colonial peoples to underwrite their own progress through free co-operative association, to encourage them in the early stages, to discover and train natural co-operative leaders.

(b) *Colonial Administrators*—The ignorance of the majority of colonial administrative officials in regard to co-operation, and their consequent prejudice and lack of interest, have been serious obstacles to the progress of newly established co-operative departments in the past. A course of co-operative economy and principles should be included in the training which recruits for the Colonial Service take at Oxford or Cambridge. This would give them the background

<sup>1</sup> At a British Association Conference on co-operative systems in European agriculture, held in April 1913, Sir John Russell, Director of Rothamsted Agricultural Research Station, urged that European agriculture outside Russia should be restarted on a definite plan, and hoped that it might be possible to arrange for courses of training in co-operative methods to which European countries, represented now in Britain, could send selected nationals. "We hope, as the result of preparations now being made," he said, "that the Government of each country will be able to say to its peasants as it enters to take charge after the expulsion of the enemy: 'Here is your land, here are seeds and implements, get on with your job of producing food for our hungry people—and from the start begin to co-operate. Here are people who will show you how to do it. Co-operate. It will give you a better return for your labour. It will give the country richer harvests from its land.'"

of understanding essential to a smooth-running and mutually helpful administration

(c) *Co-operative Officers*—The Registrar must be aided by trained officers. For really effective work an extensive staff is needed—the Co-operative Department in the Punjab has one of nearly 1000, the great majority of whom are Indian inspectors (142) and sub-inspectors (800).<sup>1</sup> The inspectors are super-auditors and educators, mostly graduates in economics, the sub-inspectors are auditors, who also teach and train, and are usually matriculates.

In the Punjab there is a training school and facilities are far advanced—a six-months course for sub-inspectors, a longer one for inspectors, and refresher courses, when the staff lecture each other. Nothing remotely resembling this exists in any of the Colonies, although even in the early stages it is desirable that a proportion of the staff should be drawn from the local population. The key personnel should be brought for special training to Britain or elsewhere,<sup>2</sup> but for the rest what training is possible will have to be provided by the local co-operative departments in week-end schools, courses for co-operative members, secretaries and officials (already an established feature in the few Colonies where co-operation has been encouraged), and colonial variations of the folk and people's high schools of Denmark and China. As the movement develops the proportion of locally trained staff will gradually increase until, as in Ceylon, the whole work—including the office of Registrar—is in their hands. By that time the co-operative movement itself should be well established and on the road to self-dependence, with its own educational and propaganda officers and central audit supervising unions. The special work of training co-operative personnel might well be aided by financial assistance from the British Co-operative Movement.<sup>3</sup>

## SPECIAL FEATURES OF TRAINING

### (a) *General Approach*

Life in the Colonies centres mainly around the land and its produce. When, therefore, the question arises of introducing co-operation as a means for the improvement of economic conditions,

<sup>1</sup> These sub-inspectors are not servants of Government, but are employed and paid by the Punjab Co-operative Union.

<sup>2</sup> A visit to India or Ceylon would be particularly useful.

<sup>3</sup> This proposal is elaborated in Chapter XXIII.

<sup>4</sup> This section (except for the concluding paragraph) is a summary of a paper prepared for the Fabian Colonial Bureau by Mr H. Calvert formerly Registrar of Co-operation in the Punjab (till top of page 176).

it is essential that the task should be entrusted to those who are in sympathy with rural people and their troubles and free from all urban prejudice. In spite of the townsman's superiority complex towards his country brothers, it has been found best not to employ him for the task of introducing co-operation but rather those whose fathers are cultivators and whose family interests are bound up with village life. Even such persons may have assimilated some of the town atmosphere through receiving their education in a town and reading text-books which are town-inspired. Considerable care will be required to exorcise the town-bred attitude towards agriculture and its problems and to instil respect for the land and all who live and work on it.

The history of agriculture has been the history of poor people, living simple lives and accumulating little wealth, their placid acceptance of nature's gifts displacing that impatient demand for more material goods which marks the city-dweller. The stagnation and seeming poverty of rural countries arise from the unresisting toleration of natural conditions, the almost fatalistic acceptance of vagaries of weather, the ravages of pests and the recurring appearance of plant diseases. If economic conditions are to be improved, there must be substituted for all this a fight for control over nature, a struggle against all that makes for poverty and a determination to bend to his will the forces that surround man. But agriculture is such an old industry, it has for so many hundreds of years been concerned with the same soil, the same implements, the same crops, the same domestic animals, that any change, however small, appears as a revolution, such as the introduction of the turnip into England was hailed to be. There is nothing in agriculture corresponding to the unceasing introduction of new patents, designs and gadgets which are essential to the continuing prosperity of industry. Time has not the same meaning for industrial and agricultural workers. Even the research workers in the problems of soils and plants and animals are paced by the slow growth of living things, and, great as their discoveries have been, the face of the earth and the plants and animals upon it remain much the same. Changes have to be coaxed gently into the lives of the people, one by one, with immense care and unlimited patience.

There are certain subjects of which co-operative personnel must have knowledge. These are the problems of the individual Colony—the local people, the land and its crops, marketing, local co-operative law, banking principles, the problem of the non-agriculturist and relations with other officials. The first steps in the training

of the personnel must depend upon their previous education with graduates in economics it is possible to start early with a course in rural economics, accompanied by selected reading of books describing the co-operative movement in various countries; but with a lower standard of education the progress must be slower and the lessons simpler. No matter what special subjects he studies, the student co-operator must understand that he is doing what has already been tried in many countries, that the policy advocated is the outcome of innumerable instances of success and failure, and that it is not now really necessary to go through another stage of trial and error in order to achieve success.

(b) *The Individual Colonies*

Knowledge of each individual Colony is essential its geography, such of its history as serves to explain the special factors of its present life—as, for instance, the causes of changes in the crops grown, the effects of the climate on the lives of the people, the provision of moisture for the crops.

(c) *The Local People*

The final objective of co-operative effort is better living, and to achieve this some understanding of the causes of poverty is required. These may vary in different Colonies. Old customs, religious sentiment, ill health, low standards of work, ignorance, lack of skill, defects in the soil, poor communications, absence of thrift, uncertainty arising from unsettled conditions, all play a part. The agriculturist clings to primitive implements, he continues to grow food crops when his land is suited to others of higher value, and it is difficult to persuade him that it would be more profitable to buy his food and grow crops for sale. Only a close study of people and conditions on the spot will determine which causes are exerting their influence and, further, which will probably have to be tolerated. All are open to remedy through co-operative effort, but accurate knowledge is needed to direct the effort into the right channels.

The method of approach to the people is very important. There is to the villagers a great difference between a man talking with them and talking at them, and the reception co-operative personnel receive will vary with their ability to appreciate this difference. The town-educated man is not always conscious of his air of superiority when mixing with the cultivating class, he seldom has any desire to offend but the villager is acutely sensitive to mannerisms,

and many a highly trained member of the co-operative staff has failed to hold the attention of his audience because he lectured *to* them instead of discussing their affairs *with* them. Although a teacher, he must appear as a friend anxious only for the village good, there to help and not to order. He may think with some reason that the villager is slow to understand the new doctrine, and seemingly listless on a matter that concerns his own good, but he must not show it. If co-operation is to be a success, the people must act from a conviction that it is all for their own good and that to do anything else were foolish. It may take months, it may take years. A Government may touch a fringe, only co-operation can reach the great mass of the people.

(d) *The Land and its Crops*

The villager acquires a considerable amount of knowledge of the land, but it is crude and unsorted and generally inexact. The facts about the distribution of the land amongst the people can only be ascertained through special inquiry, and this must be undertaken, because members of a co-operative staff will make little appeal in the village unless they have made themselves acquainted in detail with the conditions under which the land is held, the systems of tenure, the prevailing rents and their relation to the soil or the crops, to the gross produce and the cost of production, for these throw light on the economic condition of the cultivators, their need for credit or marketing, their ability to repay and so on.

Then it is important to have some knowledge of shortage and surplus of crops, for past experience will have left its mark on present practice. For example, a liability to famine may have led the people to adopt protective measures, a recurrence of unsaleable surpluses may act as a severe deterrent on expansion of cultivation, and be the chief reason for the smallness of existing holdings and the continuance of subsistence cultivation long after markets and communications have been developed. Before either the agricultural expert or any member of the co-operative staff ventures to attack old practices it is wise to learn of their origin.

The education and character of the cultivator, the size of his holding and the crops he grows on it will give an incomplete picture of village life unless it be supplemented by a study of the response the land makes to the labour and capital devoted to it. In large measure, this is a technical subject for the staff of the Agricultural Department, but the staff of the Co-operative

Department to be able to enter with sympathy into the problems and difficulties of the village must receive lectures from the sister department. No time devoted to understanding the work of the Agricultural Department and the special local problems they are engaged upon will be wasted. It is the object of the co-operative personnel to arouse enthusiasm for rural reconstruction, but instances of well-intentioned zeal going astray, through lack of knowledge, could be multiplied. Enough has been said to indicate the importance of careful training of those who go to advise the villager.

(c) *Marketing*

There have been a number of attempts to organise co-operative marketing in different Colonies, but these have not always been preceded by sufficient study, and failures have brought discouragement. Marketing is one of the most difficult forms of co-operative effort. It is a popular subject in the text-books, but the theory is simpler than the practice, which will vary with the crop, the market, the method of transport and the facilities for storage and preservation. In the Colonies the market is apt to be distant, indeed, the lure of the distant market may exercise greater influence than the homely neighbouring town. This raises many difficulties of a highly specialised nature. Marketing is a highly intricate business and the co-operative staff would be well advised to avoid entering upon it until after considerable research into local conditions.

(f) *Knowledge of Local Co-operative Law*

The student must not only know the law on co-operation in his Colony but the reason for every section and every rule and its proper place in the co-operative structure. The law usually embodies the minimum requirements which must be satisfied before the Government of the Colony will admit a society to the great privileges of registration; for it is open to any body of persons who resent these requirements to register under the Companies Act if they are prepared to face the expense and the complications.

(g) *Knowledge of Co-operative Banking Principles*

These have been hammered out through generations of experience—they are the children of failure, for of the innumerable co-operative banks that have been founded all have collapsed except the existing

survivors. Indeed it would almost seem as though every such bank must fail some time or other, so great has been the holocaust. Even where the principles are well known, the temptations to take a risk, to encourage more business by a little more easy accommodation, to bolster up a weak client in the hope that the tide will turn, to try to help him over a disaster that he can never survive, to win a little more business by refraining from necessary harshness, all sooner or later find a weak spot. The student must understand this, he must be taught beyond all chance of forgetting that there are many, many ways to failure but only one to success, and that the banking principles instilled into him are not arbitrary rules conceived in the head of his teacher, but a concise summary of the bitter lessons of disaster after disaster.

Banking practice is the application of banking principles to the special circumstances of a particular area, and these circumstances, economic and moral, must be thoroughly well known before loans can be made with any confidence. It is the custom in many English branch banks to make advances to farmers without any security other than the bank manager's personal knowledge of the farmers' character and circumstances. In village credit societies, the small area from which members are drawn ensures such knowledge amongst the managing committee, but auditors and inspectors are comparative strangers and their training must include intense study of these matters. At the least they must, when inspecting a society's transactions, know on what matters to seek information and so be able to gauge the advisability of the loan or other transaction in the circumstances of the members concerned.

#### (h) *The Non-Agriculturist and his Problems*

Co-operation in the Colonies will not be confined to the agricultural population but will be extended to all in need of the benefits it can confer, and chief among the non-agriculturists will be the craftsmen and small industrialists. The village craftsmen are entitled to look to the co-operative staff for assistance and it may be advisable to allot them special officers. Credit can be afforded on the usual lines for the purchase of raw materials and improved implements may, perhaps, be introduced with advantage. But the desire of the craftsmen will probably be for a larger market outside their neighbourhood and this calls for great care if disappointment is to be avoided.



organising consumers, dealt with in Chapter XII, must not be overlooked. It is therefore assumed that, whatever studies are undertaken, they will include a survey of successful consumers' societies, and especially of such village societies as are found in the agricultural districts of England and Wales.

#### NATIVE AUTHORITIES AND CO-OPERATION

The question is sometimes asked why, in territories administered through Native authorities, the task of co-operation should not be entrusted to them, and carried out not by voluntary societies, but by tribal agencies. The answer is twofold. In the first place, some Native authorities—Malay States, Zanzibar, Basutoland, the Emirates of Northern Nigeria—are more like the governments of a small European country than tribal groups or communities, so that financing of cultivators, marketing of crops, supply of goods would become large enterprises in the domain of State Socialism, for which these authorities are obviously not ripe. Moreover, certain Native rulers are, openly or privately, merchants on a considerable scale, involving obvious dangers of mismanagement and corruption. Again, many Native authorities are very small, and even those of moderate size, which might successfully manage one or two businesses, would break down or become centralised and undemocratic if too much were laid on them. A village carefully educated in co-operation could develop many different joint activities, such as marketing of three or four crops, credit and thrift societies, livestock societies, a co-operative shop, and possibly a house-building society, but it would lead to chaos were all to be run by a central authority, or indeed by a single co-operative society.

There is no risk of conflict between the co-operative movement and the Native authority. On this point Lord Lugard writes

"The co-operative society is in no way opposed to the Village Council of Elders, some of whom, if not active members, will at least hold titular rank as patrons. The Village Council is the first link in the great chain of responsible agencies which constitute the machine of Government. The co-operative society has no part or lot in these responsibilities. It works with its own definite objective—social, moral or economic according to circumstances—but in no case political."<sup>1</sup>

The co-operative movement may, however, play a great part in fortifying the structure of tribal or primitive society to meet the strain of expansion and of the inescapable economic and social changes already at work.

<sup>1</sup> *Co-operation in Africa*, by C. F. Strickland, p. 43

## THE FUTURE OF CO-OPERATIVE DEPARTMENTS

The Co-operative Department will have fulfilled its purpose when the movement is standing firmly on its own feet. The period of supervision and education will vary greatly between the different Colonies, whose political structures vary through all the stages of direct and indirect rule—from highly developed Ceylon, with its State Council largely elected by the people, to territories administered by Native authorities on a tribal basis. In Ceylon the work of the Co-operative Department, established in 1930, is already fully undertaken by Sinhalese and Tamils, and the co-operative movement is extending with little need for further encouragement by Government. It possesses its own educational and supervisory officers, and is on the way to becoming entirely self-dependent. In more primitive areas progress must inevitably be slower, and the need for supervision extended over a considerably longer period. It has rightly been pointed out, in regard to the aim of creating self-dependent co-operative movements in the Colonies, that whilst “the ultimate de-officialisation is generally admitted as desirable, the premature withdrawal of Government control is fraught with grave danger to the movement. The relaxation of official control in Burma is one of the many causes assigned to the co-operative collapse there”<sup>1</sup>

## Chapter XV

## CO-OPERATIVE LEGISLATION

## WHAT ARE THE ESSENTIALS OF COLONIAL CO-OPERATIVE LAW?

(1) The law must be general and cover all types of society that may be founded

The definition of a co-operative society should not be too detailed and exact. The law should be capable of universal application, and be sufficiently elastic to cover varying conditions in different Colonies and the many types of activity for which co-operative societies are formed. “Play” must be afforded for the inventiveness of co-operators, and it is cumbersome to have to amend the law before a new kind of society can be registered. It is enough to authorise the registration of any society which is in accordance with co-operative principles. For example, it is unnecessary for

<sup>1</sup> *Ibid*, p. 223—quoting “Burma Report on Co-operative Societies, 1929-1930”  
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the law to specify that a co-operative is a trading body, since some societies, such as the "General Purpose" societies of Malaya and Ceylon, cannot be said to be formed for purposes of trade

The law, then, should define the objects which a co-operative society can legitimately pursue, but so as not to cramp development the definition should be neither narrow nor rigid, and be capable of enlargement by some simple legal procedure such as an application to the Registrar, of which public notice would be given, and any objectors be entitled to appear

Where there are two or more communities, differing widely in economic status and political influence, it may be advisable to pass a separate law for each community. But such laws should be neutral as between communities, and if at all possible it is better to have one law covering the whole territory<sup>1</sup>

(2) The law should be simple and cheap in application

The greatest possible simplicity is desirable. Detailed provisions should be dealt with by regulations notified under a section of the law giving to Government the right to issue them. Regulations can be more easily amended to suit changing conditions than the law itself<sup>2</sup>

The law should avoid involving unnecessary expense to applicants at the time of registration and to societies which are on the register. The high fees paid by joint stock companies, which have complicated constitutions and dispose of ample capital at the time of incorporation, would be inequitable in the case of co-operatives. Many territories register by-laws and their amendments without charge. Similarly, the co-operative law should avoid such superfluousness as the annual rendering to the Registrar's office of lists of office-holders, shareholders or members.

(3) The law should provide for a Registrar or Director, with powers of registration and liquidation, supervision and stimulation

It should be the duty of the Registrar to keep the Register of Societies, and to approve the by-laws of individual societies. He

<sup>1</sup> Palestine shows that very different communities can be brought under the same law. On the other hand, where the law suitable to one community only is already in existence, and cannot for practical reasons be altered to suit another, a separate law must be passed and a separate Registrar appointed. Such territories are Kenya, Rhodesia, and the South African Protectorates.

<sup>2</sup> We avoid the term "rules," which in some countries e.g. Great Britain, denotes the constitution or by-laws of each society, but in most colonial territories means general regulations issued by Government for all societies. We refer to the former as by-laws and the latter as regulations.

should have power to "enquire into the working of any society upon good cause being shewn by any person, whether a member or not, and power to call any time for the books and records of the society. He should also have power compulsorily to liquidate any society which has ceased to function, which is insolvent, or which fails to carry on its business in accordance with the principles of co-operation as exemplified in the law and in the by-laws of the society. Such power should be subject to a right of appeal by the Society to some higher authority designated for the purpose. Finally, the person appointed to the Office of Registrar should be a person well acquainted with the theory and practice of co-operation, and not an official already burdened with other duties, and so tempted to regard his new post as an unwelcome side-line"<sup>1</sup>

Provision must be made for an annual audit by a person approved by the Registrar, who has to assure himself and also the public that each society is not only solvent but is co-operative in practice. The auditor must therefore know what co-operation is.<sup>2</sup> In some countries one class of society may be audited by audit unions, while others are directly audited (e.g. Palestine). The Registrar should always have power to withdraw his recognition from an inefficient audit union.

- (4) The law must provide for incorporation of the society and for the safeguarding of its business character

The law should confer upon co-operative societies which comply with its requirements the privilege of corporate existence. That is to say such a society should, in law, be a separate *persona* distinct from its members, and able to acquire, hold and dispose of property, to trade, to bring and defend actions, etc. This is necessary not only for the advantages of simpler administration and more efficient prosecution of its objects which a society obtains by incorporation, but also to give sharper form and definition to the group obligation above referred to. The grant of corporate status should be evidenced by some formality, and registration suggests itself as probably the most convenient shape for this to take.

Certain business aspects of the society should be safeguarded in the society's by-laws—such as keeping proper books and accounts,

<sup>1</sup> Where one community or group in a territory is more advanced and intelligent than the other, the Registrar can abstain from subjecting it to the full use of his powers, but the powers should be in his hands to prevent abuses. The Jews in Palestine require less supervision than most of the Arabs, yet there have been grave errors committed by a few Jewish societies, and the knowledge of the Registrar's powers has lent weight to his remonstrances.

<sup>2</sup> Several territories, e.g. Malaya, maintain a staff of official auditors, others, e.g. Nigeria, have the societies audited by the Registrar's supervising staff.

public display of the last Balance Sheet, registration of the address of the Head Office, transmissibility of interest, holding of at least one General Meeting each year, the right to call special General Meetings, the right to petition the Registrar to investigate the affairs of the society, the right to amend by-laws, appointment and definition of powers of a Managing Committee, etc. These by-laws (and others necessary to safeguard the co-operative character of societies)<sup>1</sup> should be submitted to the Registrar, who should have power to veto any rule he considered unreasonable *vis-à-vis* the members or repugnant to co-operative principles. The veto could be made subject to a right of appeal by the society to some designated higher authority. A model set of rules should be drawn up, suitable for the locality in which the law will operate, and either scheduled to the relevant Act or made obtainable from the Registrar upon payment of a small fee. A society should be free to adopt these with or without modification.

- (5) The law must safeguard the co-operative character of societies by assuring the adoption of the following basic co-operative principles<sup>2</sup>

(a) *Open Membership*—It is the essence of co-operation that no one who is trustworthy should be excluded from its benefits. It is, however, not uncommon to specify that the membership of an agricultural society should be limited to agriculturists or to the producers of some particular commodity.

(b) *Approximately Equal Contributions to the Capital of the Undertaking*—It is occasionally laid down that all shareholdings should be the same, but it is more usual to fix a maximum, either absolute (£200 in English law) or relative (for example, one-fifth of the total share capital). Co-operative shares almost always remain at par, any inflation of value being checked by the obligation to issue new shares at par to new members. Shares should be transferred or sold only to persons acceptable as members of the society.

(c) *Equal Voice in the Affairs of the Society*—This is perhaps the most important principle of all. It is usually secured by the provision that each member has one vote. Certain laws deliberately make an exception allowing additional votes (never more than five) to be conferred, but usually stipulating that extra votes must not bear any relation to shareholding.

(d) *Business with Members only*—The object of this is to prevent non-members from enjoying the benefits without contributing to

<sup>1</sup> See next paragraph

<sup>2</sup> See Margaret Digby, *Digest of Co-operative Law at Home and Abroad*, 1933, pp. xv et seq.

the resources or shouldering the responsibilities of the society, and to prevent the society becoming a close corporation profiting from the trade of non-members. But this is one of the more controversial and less constantly observed of the co-operative principles.<sup>1</sup> There are obvious difficulties in the way of its implementation.

(c) *Obligation of Members to do all their Business with the Society*—This is a sound co-operative principle, as any business done outside a society is inevitably in competition with it. The law, however, influenced probably by the traditional attitude to monopolies, trusts and restraint of "trade," has been slow to make it legally enforceable. Most recent laws, however, especially those of overseas countries, include clauses authorising binding contracts with members to do all their business with the society. As a rule such contracts apply to the sale of produce.

(f) *Distribution of Surplus in Proportion to Business done*—In order to prevent a co-operative society becoming an institution for the reward of capital, and consequently a bait to investors rather than an instrument of service, it is almost universally laid down that the interest on share capital, and frequently also on deposits, should be fixed. In the case of prosperous societies this will leave a considerable unappropriated surplus. In nearly all laws some provision is made for the formation of reserve funds, and it is usual to state, further, that a percentage of profits may be used for educational or charitable purposes, and that bonuses may be paid to employees. These provisions may still leave a surplus, which according to universally recognised co-operative principle is divided among members in proportion to business done with the society. This eliminates the element of profit and substitutes in the case of marketing societies a higher, and of consumers' societies a lower, price than the society could safely have adopted at the moment when the transaction in question was passing through its hands.

(g) *Voluntary Association*—Co-operation is essentially a voluntary movement, both as regards joining or withdrawing from a society, though certain conditions may be imposed. But where, as in colonial territories, governments take an active part, an official element enters, and from official voluntary co-operation to official compulsory co-operation is a short step. Compulsory co-operation has been due to the realisation by governments of the advantages of the co-operative system, more especially in agricultural marketing and agricultural insurance, and their desire to see it universally

<sup>1</sup> It is not among the Rochdale principles. The Rochdale system is shops open to all, but with every incentive to become a shareholding member.

applied Compulsory co-operation of a particularly stringent type exists, and is applied to insurance and to some other purposes, in the French African Colonies. A milder variety, where a preliminary poll of producers is taken and compulsion only applied by the will of the majority, exists in regard to marketing in Australia, South Africa, Great Britain and some other countries, and has been precipitated not merely by Government, but also by the realisation on the part of existing societies of the wrecking powers of a small minority outside the co-operative movement. It is a matter for discussion whether or not the compulsory principle invalidates the co-operative, and both points of view have been authoritatively urged. It is, however, undoubted that those responsible for "compulsory" legislation intended it merely as an extension of co-operative practice. The burden of proof in any particular case should be with those who wish to apply compulsion.

(h) *Safeguarding the term "Co-operative"*—The use of the word "co-operative" as part of the title of any body should by law be confined to co-operative societies registered as such thereunder.

These are the generally accepted co-operative principles. It is impossible to anticipate all the difficulties that might arise in the growth of the movement in the less advanced countries, or to provide, in rigid form, for every contingency. Experts have given evidence<sup>1</sup> that principles developed to meet the needs of certain forms of co-operation in certain countries may need modification when developing other forms in other surroundings. In certain cases it may be necessary that an element of compulsion should be introduced, so as to secure an effective start, for example, in getting a marketing co-operative going. Likewise, the basic principle in

<sup>1</sup> Here are the comments of one who has for many years been closely connected with the Jamaica Banana Producers' Association.

"My experience in Jamaica in the securing of support to producer co-operatives whose principal interest is economic gain through co-operative marketing, is that it is well nigh impossible to get the large to combine with the small producer in a flat 'one man one vote' principle at the start. We have insisted on and secured identical remuneration to all on comparable qualities and quantities, which was regarded as an important lesson for co-operators to learn. But we have compromised on the voting principle and base this on the quality of the commodity supplied through the co-operative the previous year—never on shares. In practice, over the seven years during which the J B P A operated as a co-operative, every question was settled by a show of hands, 'one man one vote,' and in no case was the poll provided for in our Articles necessary.

"In the Live-Stock Association which has recently been formed we have gone a step further and provide for one vote to every member supplying up to £300 worth of a commodity through the Association's Marketing Agreements, and one additional vote for every additional £300 worth supplied by a member, but with a limit of not more than 10 votes to anyone. It was essential for the small producers' protection to have all large men to join the Association, as otherwise the whole attempt at co-operative marketing would have been useless."

consumers' co-operation—one man, one vote—may be difficult to operate in producers' co-operatives among backward peoples. Much will depend on the wisdom and discretion of the Registrar, who, if fully trained and experienced, should be allowed some latitude in dealing with problems as they arise.

Whether the law should grant fiscal privileges to a co-operative society such as relief or exemption from taxation depends largely upon local conditions, such as the extent to which commerce and trade is carried on, the prosperity or otherwise of the community as a whole, and of the members of the society in particular. Bearing in mind, however, the value to the community in cases where political education and social development are objectives actively pursued by the societies, it would be reasonable to expect the Legislature, other things being equal, to encourage and stimulate these efforts by some remission of taxation. This is, in fact, the case in many instances. National credit is also sometimes placed at the disposal of the movement.

#### EXISTING COLONIAL LAWS

The laws under which co-operatives may be formed in the Colonies fall into four categories—they are either specific Co-operative Ordinances, Friendly Societies Acts, Industrial and Provident Acts on the British model, or special Acts applying to one type of society only. Neither the Friendly Societies Acts nor the Industrial and Provident Acts provide for an adequate enforcement of co-operative practice nor any special treatment by the State beyond a certain freedom from taxation and a somewhat stricter supervision than is imposed on joint stock companies. The special Acts applying to one type of society only, even if they are satisfactory in themselves, are inadequate to meet all the needs of a territory and to allow for progress.

##### (a) *Colonies with Adequate Co-operative Ordinances*

Ceylon

Palestine

Cyprus

Sierra Leone

Gold Coast

Tanganyika

Nigeria

Trinidad

##### (b) *Colonies with Inadequate Ordinances*

**Bahamas** The Bahamas has a Friendly Societies law which makes specific reference only to societies for endowment, insurance, etc., although its provisions may be extended to any other society whose purposes are certified as legal under the Act.



Barbados *Barbados* has no general Act

British Guiana *British Guiana* has an Industrial and Provident Societies law similar to the United Kingdom Act. A Credit Banks Ordinance applies to credit banks formed for any agricultural or industrial pursuit, and its provisions are in general satisfactory

Bermuda *Bermuda* has no co-operative law, and the Friendly Societies law does not appear to apply

British Honduras The Friendly Societies law in *British Honduras* does not apply specifically to co-operative societies, but may be extended

Dominica *Dominica* has established a co-operative banana-marketing association, but has no general co-operative law

Federated Malay States The law in the *Federated Malay States* is limited in its application since it is adapted largely to agricultural credit societies. In limited liability societies members are permitted more than one vote. A society which is not functioning properly may have its future policy decided by the bank to which it is indebted, although it is more desirable that supervision of societies should remain in the hands of the Registrar

Fiji In *Fiji* the Friendly Societies law can be extended to cover co-operative societies

Gilbert and Ellice Islands The *Gilbert and Ellice Islands* ordinance provides for the duties of Registrar to be undertaken, not by a special officer, but by administrative officers. Otherwise the law appears satisfactory, and although the minimum membership of fifty may appear high, this may be made necessary by local circumstances

Grenada The *Grenada* Friendly Societies law makes specific provision for co-operative societies, but leaves many aspects of the problem untouched

Jamaica In *Jamaica* the co-operative marketing law appears to admit organisations which are not purely co-operative in character. The Industrial and Provident Societies Act is similar to the United Kingdom Act

Kenya The existing *Kenya* ordinance is adapted only to European societies, and is in no way suitable for the development of African co-operatives. A new Bill is now in draft capable of meeting the requirements of both types of society, on the lines of the Palestinian legislation

Leeward Islands The Friendly Societies Act in the *Leeward Islands*

is not specifically co-operative, but may be extended to all societies organised for "mutual helpfulness"

**Mauritius** The general *Mauritius* law is satisfactory except that equality of voting power exists only in an unlimited society

**Northern Rhodesia** In *Northern Rhodesia* voting rights are fixed by the rules, dissolution and winding-up follows an order under the Companies Acts, no special provision for federation is made, and the name "co-operative" is not protected. As in Kenya, the law has been framed for Europeans and is unsuitable for Native societies

**Sarawak** In *Sarawak* members of the society must be of the same tribe or occupation. In a limited liability society equality of voting does not apply

**Seychelles** *Seychelles* also has a law dealing with credit societies only

**St Helena** The *St Helena* ordinance deals with co-operative credit societies and has a provision which confines membership to owners or lessees of property

**St Lucia** The Friendly Societies law in *St Lucia* makes satisfactory general provision for co-operative societies

**St Vincent** *St Vincent* has an agricultural credit societies ordinance which is satisfactory within its limits, but there is no general co-operative societies law

**Tonga** The Agricultural Organisation Act of *Tonga* provides for the formation of producers' co-operative societies but no detailed provisions are made in the Act, and there is no general co-operative law

(c) *Colonies with no Ordinances covering Co-operative Activity*

Antigua	Malta
Aden	Nyasaland
British Solomon Islands	St Christopher and Nevis
Cocos Islands	Uganda
Falkland Islands	Virgin Islands
Gambia	Zanzibar
Gibraltar	

## CONCLUSION

A Model Co-operative Ordinance should be drawn up in the Colonial Office, to be enacted in all colonial territories where adequate legislation does not already exist. The Ordinance could be drawn up on sufficiently elastic lines to cover diverse conditions

in the different Colonies, and separate Colonies could adopt special Regulations suitable to local circumstances

## Chapter XVI

### SUMMARY

#### PART ONE—CO-OPERATION AND THE COLONIES

##### CHAPTER I THE NEED FOR CO-OPERATION IN THE COLONIES

The continuing poverty of colonial peoples is at once a problem and a challenge. The vast majority are dependent on agriculture, and one potent cause of their poverty is the concentration of colonial economics on one or two staple export crops. Fluctuations in world prices for these crops have disastrous results on the whole of the Colony's economy. Most of the export trade is in the hands of a few powerful European and American firms, against whom the colonial peoples have no defensive organisation. Possibilities of improving their position are in many instances blocked by the heavy indebtedness of the peasant to the moneylender, particularly of the Eastern Colonies. Systems of land tenure have enabled the peasants to mortgage their holdings with undue ease. Failure to effect any real improvement of colonial poverty has had its roots in the *laissez-faire* attitude of British Governments. A new attitude was not defined until 1940, with the passage of the Colonial Development and Welfare Act. In addition to the special drawbacks of the colonial situation, the currents of world trade in the twentieth century have reacted unfavourably on primary producers.

To banish the burden of poverty the colonial peoples must be enabled to help themselves. To this end development of the co-operative movement is vital. Co-operation can play an important part in solving the problem of indebtedness, in marketing the peasants' produce, and in increasing agricultural productivity (pp 17-26)

##### CHAPTER II THE MEANING OF CO-OPERATIVE ENTERPRISE IN THE COLONIAL FIELD

There are certain misconceptions about the nature of co-operation and its suitability in colonial conditions, such as that co-operative effort is entirely new to the minds of colonials, that the co-operative

extending credit, and providing the needs of consumers, (c) education in co-operative principles as an accompaniment to co-operative development (pp 45-59)

#### CHAPTER V BRITISH WEST AFRICA

The West African Colonies are very dependent on a few export crops. Nigeria has a separate Co-operative Department and a valuable start has been made with co-operation among the cocoa producers, but the War has postponed development. Good potentialities exist for co-operation in a number of fields. The Gold Coast has only recently been given a separate Co-operative Department and the movement has progressed less than in Nigeria. The cocoa producers' societies are less satisfactory than the corresponding societies in Nigeria. In Sierra Leone and Gambia co-operative development has been negligible (pp 59-74)

#### CHAPTER VI BRITISH EAST AND CENTRAL AFRICA

Co-operative marketing, dairying and stock-breeding is well developed among the white settlers in these territories, but very little, if at all, among the Africans. None of these Colonies has a separate Co-operative Department, or a staff responsible for the encouragement of co-operation among the Native peoples. In Kenya there are a few sporadic African co-operatives, although all the main products of the Native areas offer a field for co-operative development. In Uganda, where the position is the same, there is immense scope for co-operative marketing and ginning of cotton—Uganda's major crop. In Tanganyika the Kihimanjaro Native Planters' Association is an attempt at co-operative marketing of coffee. In Zanzibar the main crop—cloves—is marketed through the Clove Growers' Association, which is not a co-operative but a Government marketing board. In Nyasaland there has been practically no co-operative development, and there is no Native co-operative movement in the High Commission territories or in the Rhodesias (pp 74-83)

#### CHAPTER VII MALAYA AND CEYLON

In these territories debt is a serious problem and had first to be tackled. In Malaya a Co-operative Department has existed since 1924 and has built up a successful, though small, co-operative credit movement. There have also been a few successful "Better Living" societies and some attempts at consumers' co-operation.

There is immense scope for co-operative development in many other directions. In Ceylon there is also a separate Co-operative Department and valuable progress has been made in credit and thrift societies. There have also been a few successful co-operative stores, several handicraft co-operatives, and some "Better Living" societies. Here, too, there are great possibilities for development in marketing and processing (pp 84-95)

#### CHAPTER VIII PALESTINE

The movement here is in two watertight compartments—Jewish and Arab. Co-operation has played a most important part in the Jewish colonisation activities, and has assumed certain unique forms. There is agricultural producers' co-operation (of special interest are the experiments in co-operative farming), agricultural marketing co-operation, consumers' co-operation, transport co-operation, industrial producers' co-operation, credit co-operation and co-operative housing. The Arab co-operative movement began in 1933 with the active assistance of the Government, and has concentrated on credit and thrift societies. It has not yet progressed very far (pp 95-119)

#### CHAPTER IX MAURITIUS, CYPRUS AND OTHER DEPENDENCIES

Mauritius has a small Co-operative Department, but its activity has been almost confined to credit and thrift, and even in this field progress has been very limited, although there are excellent opportunities for co-operative development in marketing, processing, farming, etc. Cyprus has a separate Co-operative Department and has made important progress. The movement is still mainly a credit and thrift one, but it has achievements to show in marketing and producers' and consumers' societies. There are also agricultural purchasing societies and a co-operative central bank. There is no development worthy of mention in Seychelles, St Helena, or Fiji, but a few societies for the marketing of copra have been established in the Gilbert and Ellice Islands (pp 120-128)

### PART THREE—LINES OF PROGRESS

#### CHAPTER X CO-OPERATIVE CREDIT AND THRIFT

The co-operative credit society offers the best solution for many of the peasants' debt problems and is undoubtedly the most valuable means of educating the people in self-help. It serves its most useful

function when dealing with intermediate and short-term productive borrowing, but co-operation has touched only the fringe of the debt problem and to deal radically with the position drastic State intervention may be necessary. To prevent future indebtedness liens on crops, mortgages on land and marketing arrangements will have to be controlled, and adequate credit facilities provided through channels additional to the co-operative credit society, both to meet the productive needs of cultivation and unproductive borrowing. For the relief of existing indebtedness it may be necessary for the Government to take over all the mortgages, though this is undesirable, if it can be avoided. A statutory reduction of interest is unlikely to prove effective. The co-operative credit society remains, however, the starting-point for the attack on the whole problem of indebtedness (pp 129-141)

#### CHAPTER XI CO-OPERATIVE MARKETING

Co-operation is not a universal panacea for all marketing problems, but it is particularly called for where the growers are exploited by monopolies, or where they would themselves benefit by creating their own monopoly through co-operation. Co-operative marketing is not easy to operate, and must be based on a sound understanding of co-operative principles, financial integrity and business ability. There is general agreement that Government marketing boards have not been successful in colonial conditions, and where combination for marketing is necessary the co-operative method is preferable (pp 142-156)

#### CHAPTER XII CONSUMERS' CO-OPERATION

There is an almost complete absence of consumers' societies in the Colonies, where the small *per capita* turnover, illiteracy, the habit of credit trading, the fierce competition of other traders, difficulties of supply and other obstacles have impeded its growth. A consumers' movement could do much, however, to free the poor from debt, to provide better goods and supplies, to defend consumers from unjust price policies, and to organise them for sharing in commodity control (pp 147-155)

#### CHAPTER XIII CO-OPERATIVE FARMING AND OTHER FORMS OF CO-OPERATIVE ENTERPRISE

To improve the condition of the colonial peasant involves an increase in the productivity of his farm through the introduction of

improved agricultural methods. These can be introduced to the peasant and brought within his reach if organised on a co-operative basis. This will enable him to purchase machinery and fertilisers, improve his stock-breeding, undertake drainage and irrigation, and make other advances beyond his means when working as an individual.

There is a good field in the Colonies for co-operative development in the shape of "Better Living" societies, handicrafts societies, fishermen's societies, stock-breeding and seed-improvement societies, electricity societies and consolidation of holdings societies (pp 155-164)

#### CHAPTER XIV THE STATE AND CO-OPERATION

Under colonial conditions the progress of co-operation depends on Government assistance. This has been forthcoming only in an unplanned and sporadic form. A broad policy should now be laid down providing for planned co-operative development. It is essential that this be accompanied by education in co-operative technique. Suitable administrative machinery would be needed to frame and implement such a policy. A Co-operative Department should be established in the Colonial Office whose work would be guided by a Co-operative Advisory Committee. Separate Co-operative Departments should be established in the Colonies under the direction of a skilled Registrar with specially trained personnel. The Registrar should not be subordinate to any other Government Department. Special training for co-operative staff would need to be provided in addition to teaching basic co-operative principles. This staff should study the particular conditions in individual Colonies, the local people and their customs, the land and its crops, marketing, co-operative law, banking principles, and should make a comparative study of co-operative movements in other countries. Native authorities are unlikely to be suitable agents for organising co-operatives. A Co-operative Department will have fulfilled its purpose when the movement is standing on its own feet and its work should be directed towards creating an independent movement in the shortest possible time (pp 164-177)

#### CHAPTER XV CO-OPERATIVE LEGISLATION

The Colonial Co-operative Law should be general to cover all types of societies that may be founded, and be simple and cheap in application. It should provide for a Registrar with adequate

powers, and for the incorporation of societies, and should safeguard the co-operative character of societies by assuring the adoption of the accepted basic co-operative principles. A survey of existing colonial laws reveals that only in eight territories is there an adequate Co-operative Ordinance. In the majority of territories there are Friendly Societies Acts, Industrial and Provident Acts, or special Acts applying to one type of society only. All these are unsatisfactory for the co-operative purpose in view. In a number of territories there is no law covering co-operative activity (pp 177-186)



Chapter XVII  
RECOMMENDATIONS FOR GOVERNMENT  
ACTION

1 A Co-operative Department to be set up in the Colonial Office and a Co-operative Advisory Committee appointed to make recommendations to the Secretary of State for the development of co-operative association and enterprise among the Native peoples of the Colonial Empire. Such a policy should not be initiated on a benevolent or relief basis. Co-operation is concerned with helping the colonial peoples to achieve, as far as possible, freedom from want, malnutrition and debt through their own efforts and in their own way on a basis of self-help, mutual help and self-education.

2 The establishment of separate Co-operative Departments in those Colonies (or groups of Colonies where regionalisation is practicable) where such Departments do not already exist. Appointment of adequate personnel, including Native staff Co-operative Registrars to be in charge of the Departments. These Registrars to be responsible only to the Governor or equivalent colonial authority, and not subordinate to any particular Department, though collaboration and consultation with other technical departments are essential.

3 Registrars and their staffs to be adequately trained in the technique of co-operation.

4 Reports on the progress of co-operative development to be submitted regularly by the colonial administrations to the Co-operative Advisory Committee for examination, and action with the Secretary of State, where necessary.

5 A Model Co-operative Ordinance, drafted on sufficiently elastic lines to cover the diverse conditions of the various Colonies, to be made effective in territories where co-operative legislation is at present inadequate.<sup>1</sup> Where existing laws are more suitable for

<sup>1</sup> In the opinion of some members of the Committee this is the most important recommendation in the Report

the European communities, separate laws should be enacted and a separate Registrar and staff appointed for the Native co-operative societies

6 The problem of indebtedness to receive vigorous treatment, both as regards removal of existing debt and prevention of its recurrence, giving recognition to the value of co-operative credit as a means to these ends

7 Marketing arrangements, where practicable on a co-operative basis, to be developed to protect the colonial producer against outside monopolies, and secure for him the advantages of control of his market. Small colonial producers should have effective representation on all commodity and price control boards dealing with the crops they produce. They can be efficiently represented only by co-operative associations of producers

8 The development of consumers' co-operative societies to be encouraged, and the consumers' interests, so organised, to be represented on price control boards

9 Colonial land tenure to be reviewed and measures taken to remedy faulty systems which have resulted in excessive subdivision, fragmentation, or uneconomic mortgaging, accumulation of land by mercantile interests at the expense of the indigenous agricultural community, insecurity of tenure, inadequate compensation for unexhausted improvements. This is the preliminary to the improvement of agricultural methods in which co-operation may play an important part

## Chapter XVIII

### HOW THE BRITISH AND INTERNATIONAL MOVEMENTS CAN HELP

#### DIFFERING BACKGROUNDS

The history of the British Co-operative Movement reveals frequent efforts to contact, help and encourage the co-operative movements of the Empire and of countries in all parts of the world. Its interest in international economic and social affairs is evidence of the outlook of its leaders and members.

The social and political responsibility of Britain to her colonial dependencies, and the appalling conditions of poverty among their 60,000,000 peoples, are already inspiring British co-operative leaders

with a warm desire that their movement should render special aid to the embryonic colonial movements. In addition to the official help of governments, there are many ways by which co-operative organisations in Britain can assist the practice of co-operation in the Colonies. This chapter will suggest the practical forms which such assistance might assume.

Assistance from Britain will necessarily fall into one of two main categories. It might take the form of help in the primary stages of developing societies in areas which have hitherto been co-operative deserts—laying the necessary foundation of education in co-operative principles and of training in organisation of co-operative societies. Or it might take the form of developing the many potential opportunities which exist for mutual help in the sphere of trading relationships, once sound co-operative associations have been established in the Colonies.

Before we can elaborate these two groups of proposals a brief picture is needed of the fundamentally different social and economic backgrounds against which the consumers' co-operative movement in Britain has attained its position of eminence, while the colonial movement has remained in obscurity.

Great Britain is one of the most highly industrialised countries in the world, and its population a nation of wage-earners. This exceptional degree of industrial specialisation has brought the advantages of a high standard of life in the shape of a great range and variety of consumption goods. To meet the diversity of British demand the resources of the world have been explored. It is not to be thought that British consumers wish this exploration to be synonymous with exploitation of and poverty amongst the primary producers overseas who supply them. Realisation of the actual conditions in the Colonies ensure the active support of the organised British consumers in helping to improve them.

In contrast to Great Britain, the vast majority of the colonial populations are engaged in agriculture. Only a small proportion of the colonial populations are wage-earners, either in commercial plantations or in the mines or industry. They are usually peasant producers, engaging often in a meagre subsistence cultivation in which money plays little part, though commercial economy is rapidly penetrating into their lives. Industrialisation is negligible, but an extension of processing and other secondary industries directly connected with agriculture is a likely development in the future, and would considerably increase purchasing power.

If the universal poverty of the Colonies is to be overcome, the

efficiency of agricultural production will need to be increased and the better farming methods will have to be accompanied by an improved system of internal and external distribution. The co-operative movement is one of the most important means by which these aims can be ensured, and to this end the British movement can render great assistance.

#### BRITISH AND INTERNATIONAL CO-OPERATIVE ORGANISATIONS.

To-day, the British Co-operative Movement comprises nearly 9,000,000 members, representing the families of about half the nation, organised in a network of 1,059 retail distributive societies, covering the whole of Great Britain. These retail societies have an annual trade of over £3,000,000,000. This movement began in the field of distribution and, having organised demand, it developed its own production and manufacture, and so took the next step towards obtaining control of all the processes from the raw material to the distribution of the finished commodity to the consumer. Over three-quarters of a century ago the retail societies established their two great wholesale and manufacturing federations—the English Co-operative Wholesale Society and the Scottish Co-operative Wholesale Society.

Both societies have had direct trading contacts with the Colonies and are likely to play an increasing part in establishing mutual trading relations with colonial co-operative organisations in the future. The Co-operative Union, the International Co-operative Alliance and the International Committee for Inter-Co-operative Relations all have their part to play, particularly on the educational and organisational sides, in assisting the march of co-operative development in the British dependencies.

#### (a) *The English Co-operative Wholesale Society Limited*

The number of overseas member-customers of the CWS has steadily increased. By 1938 New Zealand, Australia, British Columbia, Newfoundland, Palestine, Esthonia, Lithuania, Poland, Iceland and six or seven other countries had become considerable purchasers. In its turn the CWS is probably the biggest purchaser in the world of the output of co-operative agriculturists overseas. Reference need only be made to the vast purchases of Danish butter and bacon, and to the part played by the CWS in establishing a partnership between the co-operative dairy farmers and exporters of New Zealand and the CWS as English wholesale distributors.

As examples of the encouragement given to the purchase of New Zealand products the C W S in 1923 called conferences to popularise New Zealand butter in England, and that work has been carried further since. During the year ending 31st October 1922, N Z P A imports of butter were 88,767 boxes. Fifteen years later, in 1936-37, the quantity of butter imported had reached over 367,000 boxes. Financial help was provided with overdrafts from the C W S Bank and loans to exporting producers. In Australia, Canada, Russia and other countries there has been a similar story of the ability of the C W S to establish reciprocal trading relations with co-operative organisations, and to extend to them its banking and credit facilities.

During the nine seasons from 1924 to 1932 the English C W S "had financed the Wheat Pool of Western Australia to a total of eighteen millions sterling, during which time the Pool had handled 136 million bushels of wheat. It was reported to the C W S that during the earlier years the Australian banks would not undertake the business. New South Wales and South Australia provided further fields of action, farm produce being purchased and goods sold to the New South Wales C W S as a member of the C W S in England" <sup>1</sup>

The absence of soundly established co-operative organisation locally has so far prevented similar developments with regard to the Colonies, except in the case of Palestine. In this special instance, however, considerable quantities of produce have been purchased by the C W S from Tnuva, the export association for the Jewish agricultural co-operative societies in Palestine. The C W S Bank has financed the marketing of even larger quantities. In the year before the War, the C W S provided credits of approximately £90,000. Financial arrangements were operated in conjunction with the Workers Bank Limited, the central bank of the co-operative institutions of the Jewish movement. Similarly, Hamashbir Hamerkazi, the wholesale federation of the Palestine consumers' movement, holds membership in the English C W S, as well as in the International Co-operative Alliance. The C W S also has purchasing depots in many overseas countries, including, so far as the Colonies are concerned, the Gold Coast, Nigeria, Sierra Leone and Ceylon.

#### (b) *The Scottish Co-operative Wholesale Society*

The Scottish C W S has also displayed a desire to help the development of co-operative associations in other countries. So far as the Colonies are concerned, it supported the co-operative market-

<sup>1</sup> *The New History of the C W S*, by Percy Redfern, 1938

ing of bananas in Jamaica. It became one of the largest customers of the Jamaica Banana Producers' Association, and was only forced to cease trade relations when adequate supplies were no longer forthcoming as a result of the banana war waged on the association by rival private trading companies.

The Society has also been an active supporter of the International Co-operative Trading Agency, of which it is a member. It is a constituent member of the New Zealand Produce Association and operates fifteen Wheat Elevators in Canada, together with a large Buying Depot in Winnipeg. At Shieldhall, Glasgow, in conjunction with Kooperative Forbundet, Sweden, the S C W S operates the only Joint Co-operative Lamp-producing Organisation in the world, and is exporting to the Dominions and the Colonies. The only co-operative factory for the production of linoleum is carried on under the ægis of the S C W S at Falkland, Fife, and prior to the War it had a substantial export trade with overseas constituents of the British Commonwealth.

(c) *English and Scottish Joint Co-operative Wholesale Society Limited*

This Society was registered in 1923 to undertake the joint enterprises of the two Co-operative Wholesale Societies. It carries on the business of planters and agents for colonial produce, and has achieved distinction as the largest grower and distributor of tea in the world. The Society owns extensive tea plantations in India and Ceylon. In September 1940 the plantations covered 35,249 acres and the total crop for the year was £8,026,883. In the *New History of the C W S*<sup>1</sup> the author writes of the plantations in Ceylon in these terms:

"It was the pioneer co-operative determination to reach the sources of supply which established the societies in Ceylon from 1902. The plantations and factories are supplemented by co-operative stores for the workers. There are five such successful, store-owning societies connected with the estates, and their books are scrutinised by Government auditors, who also prepare the balance sheets and declare the dividend and rates of interest. Dr Fav of Cambridge visited these estates in 1936 and addressed the native co-operators, and in his presidential address to the meetings of the Economic Science Section of the British Association in that year he said 'In addition to excellent medical facilities the housing itself of the labourers has been greatly improved'."

The English and Scottish Joint C W S also conducts the coffee, cocoa and chocolate business of the two parent wholesale societies

with central depots at Accra, Calicut and Colombo, and a number of buying stations in West Africa and India. Trade for the year ended 1940 is approximately £9,604,000. Considerable attention has been drawn to the great cocoa hold-up and boycott of European goods by West African cocoa farmers in the autumn of 1937 as a direct consequence of the Buying Agreements entered into by the few large European firms purchasing and shipping cocoa from the Gold Coast and Nigeria. The West African Cocoa Commission of 1938 has given recognition in its report<sup>1</sup> to the fact that the English and Scottish Joint Co-operative Wholesale Society Limited was the only large firm which did not enter into such agreements. This refusal to support the Buying Agreements followed the strenuous protest against them voiced on behalf of the British movement by the Co-operative Union and the Co-operative Press.

(d) *The Co-operative Union Limited*

Parallel with the three great trading federations of the British Co-operative Movement, and not least in order of importance, is the Co-operative Union, with its headquarters in Holyoake House, Manchester. Under its auspices, an annual Co-operative congress is held, which determines the policy of the movement as a whole. Also under the auspices of the Union are the National Co-operative Authority, whose function is to discuss and decide, between Congresses, on co-operative policy in current national issues affecting the movement. The Co-operative Union has given considerable attention to the problem of post-war reconstruction, and in this connection is proposing to raise, through the National Co-operative Authority, the sum of £500,000 for the purpose of assisting the restoration of the European Co-operative Movement after the Nazi Hegemony has been finally overthrown.

(e) *International Co-operative Alliance*

The British Co-operative Movement has developed increasing contacts with movements in many other countries through the International Co-operative Alliance, which was founded in London in 1885. The objects of the I C A have always been, first and foremost, to promote good relations and unity of action between all the national co-operative organisations in the world. The Alliance seeks to attain its objects by convening International Co-operative Congresses, by the collection and dissemination of

<sup>1</sup> *Report of the Commission on the Marketing of West African Cocoa*, 1938, p. 9 and *passim*.

information through its publications, by the promotion of international co-operative education through the activities of an international study centre at its headquarters in London, which promotes annual international co-operative schools and educational conferences, by the promotion of international co-operative trading, banking and insurance, by maintaining close contact with affiliated organisations in all countries, and by spreading knowledge of co-operation in countries not yet included in the ranks of the movement.

In September 1939 the I C A united the National Unions and Federations of 35 countries. The individual societies constituting these Unions numbered 160,000 and included 72,500,000 individual members. By far the greater part of this huge army, as the following analysis shows, is represented by consumers' societies.

Consumers' Societies	26,000	and	5,651,000	members
Productive Societies	1,000	"	97,000	"
Agricultural Societies	13,000	"	5,155,000	"
Credit Societies	67,000	"	11,071,000	"
Miscellaneous Societies	800	"	107,000	"

While it is obvious that the work of the Alliance has been checked during the War, there is no question but that its need in the post-war period will be greater than ever, and that it will have every opportunity to make further progress.

A similar temporary halt has had to be called to the activities of the interesting framework of co-operative organisations specifically concerned with the promotion of international co-operative trade between the consumers' movements of different countries and agricultural co-operative societies. The following three organisations all founded in recent years, are indicative of the increasing interest which was being shown in international co-operative economy.

(a) *International Committee for Inter-Co-operative Relations*—This Committee, consisting of an equal number of representatives of the International Co-operative Alliance and the International Confederation of Agriculture, was established in 1931 on the initiative of the I C A for promoting relationships between consumers' co-operative societies, and to act as a liaison between the co-operative movement as a whole and official international institutions. The secretarial work of the Committee was performed by the Co-operative Section of the I L O at Geneva, but its activities have been suspended for the period of the War.

(b) *International Co-operative Wholesale Society*—The I C W S is the



federation of the Co-operative Wholesale Societies of many countries, including Belgium, Bulgaria, Denmark, Esthonia, Finland, France, Holland, Hungary, Latvia, Lithuania, Norway, Palestine, Poland, Russia, Sweden, Switzerland, U S A and Spain, in addition to the British Wholesale Societies. It was formed in 1924 to promote and encourage international co-operative trading, although it is not directly a trading organisation itself. In normal times its members met regularly to discuss co-operative trading and problems affecting its member countries. Prior to the War, much progress had been made in the joint purchase of dried fruit through the agencies of the English C W S in New York and the Near East. The international C W S is represented on the International Committee for Inter-Co-operative Relations, and arrangements were made for information to be exchanged with a view to developing interchange of goods between consumer and producer organisations and the agricultural organisations.

(c) *The International Co-operative Trading Agency Limited*—An important development in the progress of the International C W S was the formation of the International Co-operative Trading Agency, with offices in London, to act as purchasing agent for the International C W S, and to negotiate the sale of co-operative-produced merchandise and raw materials. The development of the Trading Agency was encouraging to the wholesale societies, but its operations have been seriously curtailed during the War. Seventeen countries are represented in this organisation, including the welcome addition during 1943 of the United States and Canada. It is believed that this Agency will do valuable work when the War ends.

The above, then, is a brief summary of the chief institutions of the British and International Co-operative Movement. It is necessarily incomplete, but their activities indicate the manner in which some of them can be of value in the development of agricultural and consumers' co-operation in the Colonies.

#### PRACTICAL ASSISTANCE FROM THE BRITISH AND INTERNATIONAL MOVEMENTS

Some aspects of how the British and International movements might serve may now be set out.

(1) The British movement, with its vast body of consumer members, is in a position to advise colonial marketing societies on consumer needs, shopping habits and tastes, distributive facilities, market conditions and changes. Complete market research

facilities, so essential in any planned agricultural production policy, are therefore available to colonial co-operative personnel from this source. The need for such market research was emphasised at the Hot Springs Conference. This information is also available to the Colonial Office and Colonial Governments when formulating co-operative policy for individual or regional colonial territories<sup>1</sup>.

(2) The work of the English and Scottish Co-operative Wholesale Societies in establishing direct trading contacts with colonial and dominion co-operative producers' associations has already been mentioned. In many instances the whole of the financial arrangements have been carried out through the CWS Bank. The CWS, which represents consumers, could not be interested in producer societies using its organisations as a means for obtaining higher prices than are equitable. It believes that through an efficient system of distribution, secure markets, and a steady large-scale demand, economies can be effected which will benefit producer and consumer alike. Long-term contracts at stable prices would enable expansion on a planned basis, which would be particularly helpful to a young producer co-operative.

(3) To develop colonial resources to the full, a diversification of one-sided colonial economies, dependent on a limited range of export crops, is becoming necessary. The British Co-operative Movement could play an important part in popularising new commodities and articles in this country (as was done in 1923 when the CWS called conferences to popularise New Zealand produce in the North of England). This power of bringing colonial co-operative products before the public could prove of great value to an expanding colonial economy.

(4) Co-operative associations of producers in the Colonies, preferably through their central federations, could obtain membership in the CWS, and take advantage of its importing and manufacturing activities in exactly the same way as in British consumers' societies. Agricultural machinery, feeding stuffs, fertilisers, etc., from the CWS factories could be supplied at cost price. Advantage could also be taken of the economy of the bulk purchases of the CWS for its own demands, on the system of invoicing through and diversion of their smaller requirements. In the pre-war period, economies of this nature were effected through the International CWS by the co-operative movements in many countries outside Great Britain.

<sup>1</sup> Mr J. McFadyen, a CWS Director, has been appointed to the recently constituted Economic Advisory Committee to the Colonial Office.

(5) The need for the development of a strong colonial consumers' movement complements the need for a higher standard of living. Such consumer societies may be slow and difficult at first in becoming established, but they would have the advantage of purchasing their requirements of manufactured goods from the C W S at reasonable prices, and of obtaining goods of quality far exceeding that with which they are now supplied. This would be of particular value in regard to foodstuffs. The inferior foods imported into the Colonies have aggravated the already serious malnutrition. It has been suggested that the C W S purchasing depots in West Africa could assist the development of a co-operative consumers' movement in those territories, by arranging for the supply of suitable materials at low prices, and giving help to the first societies in their early stages.

(6) Colonial co-operative movements by becoming members of the International Co-operative Alliance, with headquarters in London, would be able to make contact with co-operative movements throughout the world, and further extend their trading and educational connections. The I C A is expressly concerned with the spreading of co-operative knowledge in countries (among which are the Colonies) not yet included in its ranks.

(7) The Co-operative Union, as the central organisation directing the policy of the British Movement, can influence its members to a proper understanding of the need for assisting colonial co-operation. Co-operative development in the Colonies will be complex and difficult. Government must play its part, but there can be no doubt that the Co-operative Union could give valuable assistance especially in the spheres of education and technical advice. The Co-operative College in Manchester has attracted students of co-operation from many parts of the world, and could render useful service in helping to organise co-operative education in the Colonies. The following specific proposals are put forward as examples of help available from the Co-operative Union.

- (a) Advice and technical assistance to the Colonial Office and Colonial Governments concerning the development of co-operation in colonial territories
- (b) Preparation of educational literature, in the vernacular where necessary, to build up co-operative ideas and practice in individual Colonies
- (c) Allocation of scholarships to enable colonial students to study British Co-operation at the Co-operative College

- (d) Assistance in creating agricultural scholarships associated with co-operative study, and opportunities for visiting Denmark and other European countries with special co-operative experience
- (e) Making colonial products known in Britain
- (f) Sending its educational and technical experts to the Colonies to undertake lectures and talks to schools, and to assist generally in the development of co-operative education
- (g) Raising a Fund for the encouragement of Co-operation in the Colonies

To avoid confusion, little mention has been made of the British Co-operative Agricultural Movement. This is not part of the consumers' movement, although the two are associated through the Co-operative Union and the International Co-operative Alliance. The Agricultural Movement is connected with the Horace Plunkett Foundation, which has given unstinted advice and encouragement to colonial co-operators. This Foundation, with its excellent Co-operative Reference Library, is available as a centre of information on the Co-operative Movement, particularly as regards agriculture, all over the world. A large number of colonial officers and administrators have already received training in Agricultural Co-operation at this institution, and it is hoped that its unique facilities, together with those of the Co-operative College, will be of increasing value in the important work of training co-operative personnel for the Colonies.

It will be seen that there is already in existence substantial machinery through which both the British and International movements can help and encourage the colonial movement. But as the Colonies are a British responsibility, the initiative should come from the British Movement in particular. We believe that the movement will accept this responsibility.

with small incomes owning small acreages, for the realisation of this plan, all the financial support and technical assistance needed for its effective development should be offered by those Governments "

Here are particulars regarding the development of the movement in the different Latin American Republics

### *Argentina*

Co-operation began here on a small scale at the end of the nineteenth century, but was hampered by lack of proper legislation. In 1925 an effective Co-operative Act was passed. In 1931, when the first official reports on Argentine co-operative societies were published, the number of societies was 257, the membership 95,734, and the total annual trade of the societies 53 million pesos.

According to statistics recently published by the Ministry of Agriculture, which is responsible for supervision of co-operatives, there were in Argentina, in June 1940, 646 co-operatives, comprising 76 consumer co-operatives, 70 electricity co-operatives, 164 wheat-marketing co-operatives, 96 co-operative dairies, 24 cotton-marketing co-operatives, 36 co-operatives for marketing wine and fruit, 14 tobacco and *mate* marketing co-operatives, 63 credit co-operatives, 30 insurance co-operatives, and 73 miscellaneous societies. The total membership of these societies at the same date was 365,738. Their capital amounted to 54,310,305 pesos and their total trade to 161,135,000 pesos.

With the development of the co-operative movement, central organisations were set up. There are at present 9 federations, which include the Argentine Federation of Consumers' Co-operatives, composed of 53 societies with 57,066 members, which has already started some wholesale activities, the Argentine Federation of Electricity Co-operatives, 62 societies with 105,524 members, which provide a great number of localities with electrical service and have started to sell electrical appliances also, the Argentine Union of Co-operative Societies (agricultural), 61 societies with a membership of 35,000, which markets wheat to the annual value of 11 million pesos, the United Co-operatives (butter factories), 42 societies with 3,000 members, which in 1941 did business to the value of 2,200,000 pesos, the Federation of Co-operative Dairies, 31 societies and 1,300 members, but has not yet started business transactions, the Agrarian Fraternity, 16 societies with a membership of 3,275 and a turnover of 2,100,000 pesos, the Federation of Co-operative Societies of Entrerios, 25 societies engaged in marketing poultry, eggs and cereals and an annual trade of 600,000 pesos, the Chaco

by means of school centres capable not only of teaching co-operative principles but of training administrative personnel

### *Mexico*

The first adequate Co-operative Act was passed in 1927. A later Act of 1938 recognised co-operation as a weapon of defence serving the working classes exclusively, and provides that co-operative membership shall be open to working people only. The Government has special departments supervising co-operation, and grants special privileges to co-operatives.

According to official statistics 761 consumer co-operatives, 57,372 members, capital \$2,316,422, and 1,066 producers' co-operatives, 33,217 members, capital \$10,401,694, were operating in Mexico at the end of 1941. There are no credit co-operative societies, loans to co-operatives have been granted by the State through various semi-official banking institutions.

### *Peru*

The Peru Constitution of 1933 regards the encouragement of the co-operative movement as an obligation on the Government, but the first adequate law was not enacted before 1941. This created a department for organising and encouraging co-operative societies. Up to now 44 agricultural and 2 consumers' co-operatives have been registered.

The co-operative movement is only starting and has many problems to face, internal and external. The first originate in lack of knowledge of co-operative technique among the prospective members, which sometimes results in a confusion between the aims of a co-operative and of a commercial undertaking. The activity of the Government in publishing bulletins and pamphlets and arranging lectures designed to spread a knowledge of co-operative principles among small farmers, artisans and consumers will help to solve this problem. The Department of Co-operatives will draw up model rules and accountancy forms, and supervise the distribution of the net surplus, thus eliminating undertakings which are not genuine.

The external problem is the resistance, sometimes active and sometimes passive, of the large landowners in the mountain and coastal regions, and even of smaller landowners who believe that the co-operative movement endangers their interests. This may result in a struggle between them and the co-operative movement. The Government is giving open support to the co-operatives by

recognising them officially and granting them loans through the Agricultural Bank of Peru

### *Chile*

In Chile the first co-operative law was enacted in 1924. Because of the importance of agriculture in the economic life of Chile, special laws dealing with agricultural co-operation in general, and agricultural co-operative societies for small farmers in particular, were promulgated in 1929 and 1939. In 1940 there were about 135 co-operatives in Chile, comprising 43 consumers' co-operatives with 74,565 members, 40 agricultural co-operatives and 49 small farmers' co-operatives. There are also about 50 co-operative societies for recent settlers which aim at raising the economic, cultural and health standards of settlers through co-operation. In July 1942 the first National Congress of these co-operatives took place in Santiago de Chile in the presence of the Minister for Land Settlement and the Director of the Land Settlement Fund.

### *Ecuador*

In Ecuador co-operative societies developed mainly on the coast among the rice growers, there were 60 rice-growers' co-operative societies at the end of 1941. The National Mortgage Bank is actively collaborating with rural co-operatives. In March 1942 the Government appealed to co-operative organisations for the reconstruction of the eastern provinces devastated by the war with Peru.

### *Rural Electrification*

In the United States of America there has been a remarkable growth of co-operatives in the field of rural electrification, and a number of young engineers from ten Latin American countries have visited the U.S.A. to study this development. With the help of the U.S. Federal Government, farmers organised electric co-operatives which are serving 700,000 farmhouses with light and power for half the former cost. In the six years to 1943 more farmhouses had been electrified in the U.S. than in all past history.

In the Argentine there are 62 Electricity Co-operatives, with 105,524 members, providing electrical services to a large number of localities. The sale of electrical appliances has now also begun.

THE ANTIGONISH MOVEMENT <sup>1</sup>

One of the most interesting contributions to co-operative method and achievement of modern times is the work associated with the St Francis Xavier University at Antigonish, in Nova Scotia (Canada). It began as a cumulatively successful work of education on the part of the University, supported by the parallel work of the Agricultural Department of Nova Scotia and of the Dominion. For some thirty years the University had been aware of a surrounding countryside in which poverty and the resultant draining away of populations were steadily destroying social vitality. Low wages, low returns on enterprise, abandoned farms and fisheries, and an exodus to Western Canada and the United States have been its most obvious signs. The leaders of the University had the sense to see that an economic remedy was essential, and the insight to perceive that no enduring change could be made without that preliminary education of the people which should be a University's service to its Province.

The district immediately within the University's field lay in Eastern Nova Scotia, including Cape Breton Island with a population of some 200,000, engaged in agriculture, fishing, mining and lumbering. The first attempts were influenced perhaps by Danish experience, for they took the temporary form of summer courses on the lines of People's High Schools. Later there came an annual Diocesan Economic Conference. It was not, however, till 1930, with the opening of the Extension Department, that the University hit on the technique which has made so strong an impression not only in the Province, but far beyond it. This was the study club, a group of usually about ten adults without previous instruction, enlisted, generally as the result of a village mass meeting, and placed under local untrained leadership. Once formed, the clubs are kept going with typescript material on the subject chosen, with a circulating and open-shelf library, book boxes (or "package" libraries) and the issue of a fortnightly bulletin. Home reading is encouraged. The subject chosen is something of immediate, generally economic, interest to the members, with the intention that it should lead to action, usually co-operative. Action, however, is never hurried. Theory must first be thoroughly assimilated. Women's circles are included, some studying general economic

<sup>1</sup> This description is summarised from the *Year Book of Agricultural Co-operation, 1941* (Horace Plunkett Foundation), chapter on Canada. The movement is also described in *The Co-operative Movement in the Americas*, op cit.



questions, some domestic management or marketable handicrafts. Study clubs in the same region arrange joint rallies, annual short courses are given at the University for club leaders. Night schools have been provided for the illiterate.

Though popular leadership is everywhere encouraged, the movement also owes much to agricultural extension officers and local clergy. There has been indeed a constant though unobtrusive interaction between University and Government departments, the Department of Agriculture being well aware of the value of agricultural co-operation as a means of introducing grading and improvements in breed and production.

The study-circle method began among farmers and fishermen and spread to mine and steel workers. The first outcome of a study circle is usually a buying club. The club may order fertiliser through a central buying committee or through the Canadian Livestock Co-operative, which acts as wholesaler for feed, flour and other commodities. A fishermen's buying club may order twine, paint and other fishery requirements, a miners' club may buy fish or eggs direct from the producers' co-operative.

The next step was to convert buying clubs into stores. In 1939 there were 27 active stores with a membership of 3,301 and turnover £190,000. Some of the stores have organised subsidiary services such as hatcheries for the sale of day-old chicks, or the establishment of women's guilds, with handicraft rooms and lunch and recreation rooms for country housewives coming into a shopping centre.

The energy, fertility and devotion of this movement are outstanding. It starts with the great, many would say indispensable, asset of a membership which is at the same time in real need of the services it can offer, deeply in earnest and really well informed on the meaning and principles of co-operation. Its problems are of a technical order. Credit is one of the most serious. Complete cash trading has proved almost impossible to enforce except in a few of the newer stores. Some societies allow credit up to the limit of a member's shareholding, others have probably a more fluid limit. The average outstanding for one group of stores was ten weeks in 1935. Where the marketing of produce is involved, forms of virtual barter inevitably creep in. The solution probably lies with the credit unions, but their growth must be gradual if it is to be sound. Another problem is that of the simultaneous assumption of multiple functions by a single small organisation, which is apt to overtax the administrative ability of employees and committees, who may be co-operative adepts, but are often business amateurs.



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